Housing a Nation:

The Evolution of Canadian Housing Policy

H. Peter Oberlander
Arthur L. Fallick
Co-authors

George Anderson
Editor

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TABLE OF CONTENTS

INTRODUCTION i
George Anderson, President
Canada Mortgage and Housing Corporation
1986-1990

Part I
Programs in Search of a Corporation
1918 to 1946

1. **A Beginning** 1

2. **Cause and Effect** 3

3. **The Emergence of Federal Initiatives** 5

  3.1 The Halifax Disaster 5
  3.2 The 1918-1924 Federal Housing Program 8
  3.3 Legislation: The Dominion Housing Act 12
  3.4 The 1938 National Housing Act 19
  3.5 Wartime Housing Limited 23

4. **Social Change and Post-War Reconstruction** 28

5. **Conclusion, 1918-1946** 32

Part II
From Housing Finance to Urban Renewal
1946 to 1968

6. **Introduction** 33

7. **New Beginnings** 35

    7.1 The 1944 National Housing Act 35
    7.2 The Creation of the Central Mortgage and Housing Corporation 36

8. **CMHC and the NHA, 1949 to 1954** 42

    8.1 The 1949 NHA Amendments 42
    8.2 Building a Corporate Headquarters 43

9. **Changing Directions** 45

    9.1 From Mansur to Bates 45
    9.2 Research, Development and Education: The Continuing Legacy of Part V of the NHA 49
    9.3 The Design Challenge of the 1950s 50
    9.4 Conditions Prior to the 1954 NHA 51
    9.5 The 1954 National Housing Act 53
    9.6 Changing Patterns 55
    9.7 A Pivotal Change: The 1964 NHA Amendments . . . 57

10. **Continuity and Anticipated Change** 60

Part III
Responding to Turbulent Times: Canada's Housing Policy in the 1970s and Early 1980s

11. **The Context: Turbulent Times** 63

11.1 Economic Turbulence 64
11.2 Urban Turbulence 66
11.3 Inter-Governmental Turbulence 74

12. **Responding to Turbulent Times, 1968 to 1973** 80

12.1 An Urban Agenda Emerges 80
12.2 The Urban Affairs Policy Response 99
12.3 The Search for New Housing Policy and Programs . 111

13. **Responding to Turbulent Times, 1974 to 1978** 127

13.1 The Urban Affairs Policy Response 127
13.2 Experiments with Short-Term Housing Policies and Programs 133

14. **Responding to Turbulent Times, 1979 to 1984** 151

14.1 Housing Research and Conferences in the Late 1970s and Early 1980s 151
14.2 Housing Policy and Program Response to Unstable Interest Rates 156

15. **Setting the Stage for the Late 1980s** 164

Introduction

The origins and evolution of Canadian housing policy, and the sometimes colourful personalities which shaped them, have been discussed and debated over the years, but have not been chronicled systematically. This monograph seeks to fill this gap. Shortly after Canada Mortgage and Housing Corporation (CMHC) celebrated its fortieth anniversary in 1986, Dr. Peter Oberlander, then Executive Director of the Centre for Human Settlements (CHS) at the University of British Columbia (UBC), invited me to present a series of lectures on the history of Canadian housing policy at UBC. I agreed; the text of these lectures is available in a companion publication of the Centre for Human Settlements, Housing Policy in Canada Lecture Series, 1992.

The occasion of the lecture series provided an ideal opportunity to prepare a lasting contribution to the Canadian housing literature in the form of a monograph. Through extensive and painstaking research, staff at the Centre and CMHC assembled the facts related to federal interventions since the First World War and wove these facts into the economic, political and social fabric of the times. The evolution of the federal role in housing is marked by local crises, by the rapid process of urbanization in Canada and by changing moral values concerning assistance for disadvantaged Canadians. In developing program interventions, decision makers combined their own visions with the results of thorough analysis.

The legacy left by federal, provincial and private involvement in housing is a nation that is classed among the best housed in the world. This legacy is marked by many successes, some failures and a few policy issues that have been debated for decades without resolution.

All in all, it's a colourful story. I am proud to have been part of it.

This monograph had several contributors for UBC. Dr. Peter Oberlander, Executive Director of CHS until 1988, and Dr. Arthur Fallick undertook most of the research and writing. Dr. David Hulchanski, CHS Executive Director 1988 to 1991, and Dr. Jill Wade completed the research

Executive Director 1988 to 1991, and Dr. Jill Wade completed the research and Dr. Wade edited the manuscript. Research staff at CMHC commented on drafts of the monograph and provided selected documentation.

George Anderson
President
Canada Mortgage and Housing Corporation
1986-1990

Part I

Programs in Search of a Corporation,

1918 to 1946

1. A Beginning

The chronicle of the growing complexity of predominantly urban life in Canada since World War II is also the story of how Canada Mortgage and Housing Corporation, as the federal government's agent in housing affairs, has adapted to the daunting challenge of "housing a nation."[1] Throughout its forty year history, CMHC has responded to a succession of critical national and regional events whether the provision of shelter to war veterans or the present search for housing solutions through new co-operative relationships with the provinces. Straddling both the public and the private sectors, the corporation has played a central role in shaping the Canadian housing industry. It has advised a succession of federal governments and administered a broad range of innovative programs involving joint lending, mortgage insurance, public housing, land assembly, urban renewal, neighbourhood improvement, home rehabilitation and renovation, sewage treatment assistance, rural and native accommodation, and co-operative and non-profit housing. As well, it has acted as the most important source of information and research in the field.

CMHC's achievements have been substantial. Canada began the post-war period with a large stock of aging, substandard, crowded dwellings, with a substantial number of households paying unaffordable shelter costs, with a sizable deficiency in municipal water and sewer services, and with a need for electrical power in rural areas. Although not all Canadians occupied adequate, affordable accommodation, dramatic changes had occurred by 1981. In general, the housing stock was newer and less crowded. Few private dwellings required major repairs or sanitary improvements. Municipal services, sewerage, and rural electrification had become almost universal.[2] Significantly, CMHC has supported one out of every four of the 6.5 million units built in Canada since World War II. It delivers $1.6 billion per year in subsidies and manages about half a million units.[3]

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[1] Canada Mortgage and Housing Corporation [hereafter CMHC], Housing a Nation: 40 Years of Achievement; Un toit pour tous: Quarante années de réalisations. (Ottawa: Queen's Printer, 1986).

How did federal involvement in housing come about? National housing policy tended to be solely reactive until 1946 when CMHC came into operation. A succession of key events in the 1920s and the 1930s precipitated action aimed at responding to real and perceived crises. Temporary programs emerged within the constraints of a limited federal jurisdiction to resolve specific problems brought on by the Halifax explosion of 1917, by the social unrest of 1918-1919, and the sagging economy and the high unemployment of the depression. However, the creation of a broadly based welfare state in the 1940s marked the beginning of long-term housing programs under CMHC's guidance.[4]

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[2] CMHC, Housing in Canada, 1945 to 1986: An Overview and Lessons Learned (Ottawa: Queen's Printer, 1987), pp. 6-12. For additional information, see John R. Miron, Housing in Postwar Canada: Demographic Change, Household Formation, and Housing Demand (Kingston and Montreal: McGill-Queen's University Press, 1988).

[3] George Anderson, Programs in Search of a Corporation: The Origins of Canadian Housing Policy, 1917-1946; A Lecture Delivered at the Centre for Human Settlement Studies, University of British Columbia, Vancouver, Housing Policy in Canada Lecture Series, no. 1 (Ottawa: CMHC, 1987), p. 1.

[4] For different interpretations of the development of national housing policy, see, John C. Bacher, "Canadian Housing 'Policy' in Perspective," Urban History Review/Revue d'histoire urbaine 15, 1 (June 1986): 3-18; and Albert Rose, Canadian Housing Policies (1935-1980) (Toronto: Butterworth, 1980). See also, Allan Moscovitch, "Housing: Who Pays? Who Profits?" in Inequality: Essays on the Political Economy of Social Welfare, ed. Allan Moscovitch and Glenn Drover (Toronto: University of Toronto Press, 1981), pp. 314-47; and Miron, pp. 238-67.

2. Cause and Effect

The history of federal housing initiatives before World War II is the history of "cause and effect." The federal government responded reluctantly after considerable public and/or political pressure to specific events that were clearly national in scope, that went beyond provincial capacity, and that required immediate solution. The federal government developed institutional arrangements to protect itself from any accusations of invading provincial jurisdiction.

In the first phase of federal intervention in the housing field, Ottawa's limited responses to particular problems turned into programs which in retrospect were in search of a policy.[5] The 1917 Halifax disaster, viewed as an act of war, constituted a national responsibility. The creation for the first time of a significant group of veterans during World War I required and justified federal financial assistance. The unprecedented economic depression of the 1930s demanded state intervention: housing became a means to prime the economic pump and an instrument to satisfy an increasingly urgent social need for suitable, affordable accommodation. Evidence for the 1920s and 1930s thus suggests a lack of policy orientation. Housing initiatives may be characterized as short term responses to perceived crises. Because the federal government had a limited previous policy experience from which to draw and a relatively unsophisticated bureaucratic structure with which to face large scale emergencies, housing programs not surprisingly tended to be "de novo" and "ad hoc" rather than policy based. Furthermore, federal decision-makers always remained aware of the traditional provincial jurisdiction for housing and attempted to avoid a constitutional tug-of-war.

Nevertheless, in these early housing schemes, the federal government gradually defined its role as a supplier of remedies for market deficiencies and as a promoter of expanding construction and development capabilities from coast to coast. Its clearly articulated, overriding goal consisted of home ownership for all Canadians. Federal policies eventually found their ultimate manifestation in the pervasive shape and size of suburban Canada, readily identified by the detached single family home in fully serviced and well laid-out subdivisions forming clusters of suburbs that expanded radially from the traditional urban core.

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[5] Michael Dennis and Susan Fish, Programs in Search of a Policy: Low Income Housing in Canada (Toronto: Hakkert, 1972).

3. *The Emergence of Federal Initiatives*

3.1 The Halifax Disaster

On 6 December 1917 the munitions ship "Mont Blanc" exploded in the Halifax harbour, resulting in the death of 1,635 people and the devastation of 325 acres of Richmond, a working-class neighbourhood in the city's north end.[6] Damage by the explosion amounted to about $28 million, an enormous sum at the time. The reconstruction of Richmond gave rise to Ottawa's first intervention in the housing field, produced an innovative mechanism of finance and allocation, and became the first major example of a federally initiated community planning and site layout project. As a temporary response to a specific emergency, the federal government provided a relief program for the victims and a restoration plan for the destroyed neighbourhood under the War Measures Act.

Although a Halifax Relief Committee formed immediately at the local level, the federal government became involved in the relief effort early in 1918. It established a fund to assist those who had suffered through the consequences of war, and it appointed the Halifax Relief Commission to supervise the dispersal of nearly $30 million in relief funds supplied by itself, other imperial nations, insurance companies, and the public.

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[6] For the response to the Halifax disaster, see, Thomas Adams, "The Planning of the New Halifax," Contract Record and Engineering Review 32 (28 August 1918): 680; Alan H. Armstrong, "Thomas Adams and the Commission of Conservation," Plan Canada 1 (1959): 20-28; Graham Metson, ed., The Halifax Explosion, December 6, 1917 (Toronto: McGraw-Hill Ryerson, 1978); John C. Weaver, "Reconstruction of the Richmond District in Halifax: A Canadian Episode in Public Housing and Town Planning, 1918-1921," Plan Canada 16, 1 (March 1976): 36-47; Michael Simpson, Thomas Adams and the Modern Planning Movement: Britain, Canada and the United States, 1900-1940 (London and New York: Mansell, 1985), pp. 88-90; and Alan F.J. Artibise and Gilbert A.Stelter, "Conservation Planning and Urban Planning: The Canadian Commission of Conservation in Historical Perspective," in Planning for Conservation, ed. Roger Kain (London: Mansell, 1981), pp. 17-36.

In order to meet pension obligations and to ease the shelter shortage, the Commission turned a portion of the relief money into an endowment fund invested in housing. The municipal and federal governments exempted the fund from taxation, and unions and contractors furnished labour and materials for the proposed housing project at below market rates. Rather than passing these savings on to the disaster victims, the Commission proposed that market rents be charged on the dwellings to furnish a substantial cash flow for the pension fund. Although tenants displaced by the explosion initially occupied the homes, many soon found the high rents unaffordable, and over half the units became vacant. Still, this mechanism of financing the pension fund lasted until 1948 when the Relief Commission began to sell off the houses.

Within days of the disaster, the Halifax Relief Committee asked Ottawa for advice and professional help from Thomas Adams, the town planning expert attached to the Commission of Conservation.[7] A well-known British planner, essentially self-taught, rich in governmental and administrative experience, Adams came to Canada shortly before World War I as consultant to the Conservation Commission created in 1911 to provide national leadership on environmental issues resulting from development of the western provinces, heavy European immigration, and rapid urbanization and industrialization. Adams emerged from the garden city movement inspired by Ebenezer Howard and his seminal book, Tomorrow: A Peaceful Path to Real Reform (1898).[8] He had acted as manager of the company responsible for the first garden city, Letchworth, which translated into actuality the reform concepts of decentralization and new communities. Later, Adams worked as an inspector of the board administering the 1909 Town Planning Act and served as president of the British Town Planning Institute.

Adams prepared a plan for the reconstruction of the Richmond district that remained in force until after World War II. Although the Relief Commission curtailed his initial elaborate design, he laid out within the confines of Halifax's gridiron a pragmatic plan that nevertheless offered landscaped boulevards and park and playground space. Its advocacy of zoning theory also greatly influenced Relief Commission decision-making. George Ross, a Montreal architect who worked with Adams on the project, recommended Hydro-Stone construction and designed 326 Tudor Revival row housing units. In addition, local builders erected another 180 less expensive frame or Hydro-Stone and stucco houses throughout the area.

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[7] For Adams' career in England to 1914 and his experience in Canada, see Michael Simpson's biography.

[8] In 1902, the book was republished as Garden Cities of Tomorrow.

The reconstruction of Richmond presented one solution to the World War I housing shortage brought on by scarcities of investment capital, construction materials, and labour, and by high building costs. Addressing a 1918 joint meeting of the Civic Improvement League of Canada and the Union of Canadian Municipalities, Adams stressed that wartime housing represented one of the most urgent questions of the time:

> ...we must have recourse to government aid, be it Federal or Provincial, and government aid involves government supervision. The Federal Government is the authority under the War Measures Act, and housing war-workers is a war measure. Therefore, this is primarily a matter for the Federal Government; although, for practical purposes, it should delegate as much responsibility as possible to provincial and municipal governments.[9]

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[9] Canada, Commission of Conservation, Report of the Tenth Annual Meeting, 1919, App. 9, p. 117. For housing conditions in the early 1900s, see, Terry Copp, "Housing Conditions," in The Anatomy of Poverty: The Condition of the Working Class in Montreal, 1897-1929 (Toronto: McClelland & Stewart, 1974), pp. 70-87; and Michael J. Piva, "Public Health and Housing," in The Condition of the Working Class in Toronto, 1900-1921, Cahiers d'histoire de l'université d'Ottawa, no. 9 (Ottawa: University of Ottawa Press, 1979), pp. 125-42. See also, Shirley Spragge, "A Confluence of Interests: Housing Reform in Toronto, 1900-1920," in The Usable Urban Past: Planning and Politics in the Modern Canadian City, ed. Gilbert A. Stelter and Alan F.J. Artibise, Carleton Library, no. 119 (Toronto: Macmillan of Canada, 1979), pp. 247-67; Lorna F. Hurl, "The Toronto Housing Company, 1912-1923: The Pitfalls of Painless Philanthropy," Canadian Historical Review 65, 1 (March 1984): 28-53; and Deryck W. Holdsworth, "Cottages and Castles for Vancouver Home-Seekers," in Vancouver Past: Essays in Social History, ed. R.A.J. McDonald and Jean Barman (Vancouver: University of British Columbia Press, 1986), pp. 288-310.

According to Adams, the federal role should include only the provision of the establishment of a central advisory board of experts; it should not embrace the direct construction of homes other than those required to assist war industry or to solve problems arising from "necessities created by war conditions."[10] Government intervention in the housing market should occur only under exceptional circumstances.

At the end of World War I, a growing recognition of the urgent need for federal action developed when the private market could not meet the demand for affordable accommodation. The Union government had committed itself to the vigorous prosecution of the war, and did not recognize housing as an issue of top priority. In its view,Section 92 of the British North America Act (1867) assigned responsibility for housing to the provinces. Still, many politicians, including Sir William Hearst, Premier of Ontario, as well as organizations representing labour, veterans, manufacturers, and business, had become increasingly vocal about the need for a federal commitment to housing. In July 1918, the Ontario government made mortgage money available to municipalities and later negotiated with the federal government for funding for its program. In November, Ministers attending a Dominion-Provincial Conference in Ottawa discussed ways of relieving congestion in the cities and of providing better housing conditions particularly for returning soldiers.

3.2 The 1918-1924 Federal Housing Program

During the 1918 Dominion-Provincial Conference, Sir Thomas White, Minister of Finance and acting Prime Minister, offered to make available to all the provinces federal loans that in turn could be released to municipalities as mortgage money for individual home buyers. An order-in-council of 3 December 1918 authorized under the War Measures Act the allotment of $25 million in loan funds to the provinces according to population size. Each province would receive a twenty-year loan at 5%

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[10] Commission of Conservation, Report, 1919, app. 9, p. 120.

annual interest secured in provincial bonds or debentures.[11]

In developing its program, the federal government remained acutely aware of its constitutional limitations in the housing area. Consequently, it adopted the position that housing was a matter of "national importance" that "touches vitally the health, morals and general well-being of the entire community and its relation to the welfare of the returned soldiers and their families."[12] It argued that the program would serve to

> ...promote the erection of dwelling houses of modern character to relieve congestion of population in cities and towns; to put within the reach of all working men, particularly returned soldiers, the opportunity of acquiring their own homes at actual cost of the building and land acquired at a fair value, thus eliminating the profits of the speculator; to contribute to the general health and wellbeing of the community by encouraging suitable town planning and housing schemes.[13]

As well, the housing scheme would produce considerable employment during the period of post-war reconstruction and industrial readjustment. Moreover, the federal government advanced loans to the provinces from the war appropriation fund. In this manner, it avoided the appearance of a direct federal involvement in building houses.

Various objectives lay behind the scheme: the relief of urban population congestion; the opportunity of home ownership for all working people, especially veterans; the elimination of land speculation; the encouragement of town planning; the amelioration of social unrest; the phenomenon of crisis management by government; the promotion of the community's health and general well-being; the creation of employment; the revitalization of the construction industry; and the development of an electioneering strategy by politicians. In retrospect, for historians like A.E. Jones, the motive of ensuring social stability during the industrial unrest of 1918-1919 was the most compelling factor in the introduction of the federal housing plan. Similarly, in Britain, the "homes fit for heroes" program acted as insurance against social unrest.[14]

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[11] For the soldiers' housing scheme, see, Andrew Eric Jones, The Beginnings of Canadian Government Housing Policy, 1918-1924, Occasional Paper, no. 1/78 (Ottawa: Centre for Social Welfare Studies, Carleton University, 1978); and John C. Bacher, "Keeping to the Private Market: The Evolution of Canadian Housing Policy, 1900-1949" (Ph.D. dissertation, McMaster University, 1985), pp. 77-105.

[12] National Archives of Canada [hereafter NAC], Records of the Department of Finance, RG 19, vol. 705, file 203-1, P.C. 2997, 3 December 1918.

[13] Ibid.

A Cabinet committee chaired by N.W. Rowell, President of the Privy Council, and assisted by Thomas Adams laid out the scheme's general principles.[15] Under the program, provinces submitted proposals for local projects to the federal government for approval. They were free to utilize Adams' professional skills. In October 1919, a Housing Branch in the Department of Health assumed responsibility for the program's administration.

Enthusiastic endorsement of the housing scheme came from politicians, veterans' groups, business, and labour. All but two provinces, Alberta and Saskatchewan, participated in the program. Nevertheless, federal support faded by 1921 when a new government led by W.L. Mackenzie King replaced that of Arthur Meighen.

Why did the federal government abandon its support of the scheme? While the scheme showed considerable early promise and received strong public support, it did not constitute a strategy for fundamental social or economic reform. Rather, it represented a hurried federal response to provincial demands and to immediate social, political, and economic problems. Indeed, the scheme's wide-ranging objectives often directly contradicted each other or existed outside the constitutional mandate of the federal government. Ottawa made its initial commitment to a temporary scheme to meet abnormal circumstances. Once the conversion to peacetime activity was complete, the "dominant belief in free enterprise led to a withdrawal of government from many (but by no means all) of the activities it had embarked on during and immediately after the war. Housing was one of the casualties."[16] In addition, as the social dislocation following World War I subsided, a major motivation for initiating and continuing the program also disappeared.

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[14] Mark Swenarton, Homes Fit for Heroes: The Politics and Architecture of Early State Housing in Britain (London: Heinemann Educational Books, 1981).

[15] NAC, RG 19, vol. 705, file 203-1, P.C. 374, 20 February 1919, including the general principles.

Although the federal housing program resulted in the construction of 6,242 dwellings in 179 municipalities over four years, it left behind an impression of incompetence among officials in all levels of government. The plan lacked a clearly defined administrative structure. In the end, responsibility for the scheme's operations fell upon individual municipalities rather than the province or the federal government and left them open to charges of mismanagement of funds, inefficient administration, and poor construction practices. Recent critics believe that the scheme failed to relieve housing shortages, that it ignored low-income families most desperately needing adequate, affordable homes, and that it provided a poor model for good housing and town planning principles.[17]

In summary, the 1918 federal housing program was a financial instrument introduced to respond to a post-war emergency threatening to destabilize the country. As in the case of the Halifax disaster, it signified a single "ad hoc" intervention conditioned by economic, social and political events of a national dimension rather than a calculated, long-term, policy based rationale for federal involvement in the housing field. As essentially fiscal strategies, both the program and the Halifax relief effort enabled the federal government to intervene temporarily in areas of provincial responsibility while responding to a nationally perceived crisis.

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[16] Jones, p. 44.

[17] For earlier assessments of the program, see, Canada, Dominion Bureau of Statistics, Seventh Census of Canada, 1931: Census Monograph No. 8, Housing in Canada, prepared by H.F. Greenway (Ottawa: King's Printer, 1941), p. 33; Canada, Advisory Committee on Reconstruction, Subcommittee on Housing and Planning [chaired by C.A. Curtis], Final Report of the Subcommittee, March 24, 1944 (Ottawa: King's Printer, 1944), p. 25; A.E. Grauer, Housing: A Study Prepared for the Royal Commission on Dominion-Provincial Relations (Ottawa: King's Printer, 1939), pp. 35-38; and Canada, House of Commons, Special Committee on Housing, Minutes of Proceedings and Evidence, pp. 57-71, 331-34. For more recent critiques, see, Jones, pp. 41-43, and Simpson, pp. 105-08.

3.3 Legislation: The Dominion Housing Act

As traditional market forces and mechanisms apparently responded to the nation's residential needs after 1923, no further federal initiatives appeared. Housing lost its place on Ottawa's agenda, partly because of the economic upswing of the 1920s and partly because of the ideological predisposition against federal involvement within the newly elected Mackenzie King government.

Nevertheless, the period of economic expansion which peaked in 1929 generated a substantial increase in the volume of dwellings built for a rising, affluent middle class. The general perception was that the market had regained its equilibrium. The widespread boom in house building obscured the presence of slum areas in many parts of urban Canada. By 1929, over 64,700 units, the largest single volume for any year of the decade, were completed.[18] Governments felt compelled to introduce only measures like health and building by-laws, zoning codes, or municipal land use planning to deal with situations created by slum landlords or speculators.

However, the boom turned out to be short-lived when the country confronted the crisis of the great depression. By 1933, house construction fell to 31% of the 1929 level. Incomes dropped, and vacancy rates climbed as households doubled up. Thousands of homeless unemployed men moved across the country in search of work and wages. Declining real estate and rental values and increasing numbers of loan defaults made lending institutions reluctant to offer mortgage money. Municipal governments carried the financial burden of lapses in property tax payments and of rises in relief costs.[19]

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[18] O.J. Firestone, Residential Real Estate in Canada (Toronto: University of Toronto Press, 1951), p.56.

The abrupt decline of the housing market aggravated the poor living conditions in the cores of many older cities. Ignored by many Canadians during the prosperity of the 1920s, slum areas became the focus of public attention in the early 1930s. Local groups undertook a series of housing surveys in Halifax, Montreal, Toronto, Hamilton, Ottawa, and Winnipeg between 1932 and 1935.[20] Two of these, the 1934 Report of the Lieutenant-Governor's Committee on Housing Conditions in Toronto (called the Bruce report after Ontario's Lieutenant-Governor H.A. Bruce) and the 1935 Report on Housing and Slum Clearance in Montreal, argued that the depression had seriously exacerbated a longstanding problem in urban accommodation that required sustained government intervention at all levels as a remedy.[21] A few years later, a major national study prepared by University of Toronto professor A.E. Grauer for the Royal Commission on Dominion-Provincial Relations described the severity of the shortage of adequate low-income dwellings during the depression years and summarized government housing policy in Britain, Europe, and North America.

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[19] A.E. Safarian, The Canadian Economy in the Great Depression, Carleton Library, no. 54 (Toronto: McClelland and Stewart, 1970), pp. 216-19; Firestone, passim; John T. Saywell, Housing Canadians: Essays in the History of Residential Construction in Canada, Discussion Paper, no. 24 (Ottawa: Economic Council of Canada, 1975), pp. 169-73; and John C. Bacher and J. David Hulchanski, "Keeping Warm and Dry: The Policy Response to the Struggle for Shelter among Canada's Homeless, 1900-1960," UHR 16,2 (October 1987): 147-63. See also, Ronald Liversedge, Recollections of the On to Ottawa Trek, ed. Victor Hoar, Carleton Library, no. 66 (Toronto: McClelland and Stewart, 1973).

[20] For H.F. Greenway's summaries of those surveys, see, Census Monograph No. 8, pp. 34-36. For a secondary perspective on housing reform efforts in Halifax, see, John C. Bacher, "From Study to Reality: The Establishment of Public Housing in Halifax, 1930-1953," Acadiensis 18, 1 (Autumn 1988): 120-35. Late in the 1930s, a civic committee undertook a housing survey in Vancouver; see City of Vancouver Archives, Public Document No. 447, Vancouver, Building, Civic Planning, and Parks Committee, [A Survey of the Housing Situation in Vancouver] (Vancouver, 1937).

[21] Lieutenant-Governor's Committee on Housing Conditions in Toronto [chaired by Herbert A. Bruce], Report (Toronto: n.p., 1934); and Joint Committee of the Montreal Board of Trade and the City Improvement League, A Report on Housing and Slum Clearance for Montreal (Montreal: n.p., 1935).

At first, the federal government remained reluctant to intervene in the housing field. It chose to rely on market forces to improve the shelter problems of Canadians rather than "go into a general policy of socialism based on the general conditions of today."[22] Finally, in mid-February 1935, Prime Minister R.B. Bennett deferred to increasingly strident demands for action from Opposition Members of Parliament, municipal and local groups, and representatives of the ailing construction industry "to consider and report upon the inauguration of a national policy of house building to include the construction, reconstruction and repair of urban and rural dwelling houses in order to provide employment throughout Canada."[23] Arthur Ganong, a businessman belonging to the Canadian Manufacturers' Association and the Maritime Board of Trade, chaired the Special Committee, which was comprised of nine Conservative, seven Liberal and one Co-operative Commonwealth Federation Member of Parliament.

The Committee's mandate indicated a change in the prevailing ideological ethos about intervention. The federal government considered involvement because the market was experiencing an unusually difficult time. Stimulating the construction industry could alleviate the unemployment situation. In effect, the government proposed to generate employment to revitalise the economy. Housing legislation was a means to an end rather than an end in itself.

After meeting ten times between 21 February and 15 April 1935 and hearing 22 witnesses from across Canada, the Special Committee recommended that a national housing authority be established and authorized "to negotiate agreements with any province, municipality, society, corporation or individual with a view to promoting construction, reconstruction and repair of such dwellings as may be necessary, and the extension of financial assistance at such favourable rates of interest, periods of amortization and other terms as shall encourage housing."[24] Moreover, the "national housing policy should be so formed, with respect to provision for employment, as to endeavour to co-relate and coordinate the efforts of provincial, municipal and other public authorities, and private agencies." Thus, like the Bruce report and other local surveys of the early 1930s, the Special Committee's work urged sustained, systematic federal intervention in the housing market to resolve both longstanding and more immediate residential problems.

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[22] Canada, Parliament, House of Commons, Debates [hereafter Hansard], 18 June 1935, [vol.4] p. 3773, cited by J. David Hulchanski, "The 1935 Dominion Housing Act: Setting the Stage for a Permanent Federal Presence in Canada's Housing Sector," UHR 15, 1 (June 1986): 22. This description of the Dominion Housing Act's story is based in particular on Hulchanski's work and on "Keeping to the Private Market," pp. 122-81, 208-27. See also, Alvin Finkel, "The Construction Industry," in Business and Social Reform in the Thirties (Toronto: James Lorimer, 1979), pp. 100-16.

[23] Special Committee on Housing, Minutes, p. 3.

The federal government reacted to the housing problem of the 1930s by almost completely ignoring the Special Committee's recommendations. Instead, the submission to the Committee made by Deputy Finance Minister W.C. Clark on the last day of hearings played a significantly greater part in shaping that response.[25] Formerly a Queen's University economist and a United States real estate company executive, Clark explained to the Committee his interest in the housing question "as a social and economic problem, looking at it from the long point of view," as a "short run problem of providing some stimulant to business recovery, and to seek to absorb employment," and as his "obligation to safeguard the public treasury."[26] The last two concerns originated in his position as Deputy Finance Minister. Rather than jump into "any hasty commitments" to "the most difficult and the most complicated aspects of housing" like slum clearance, he preferred to concentrate "on the immediate emergency problem of using housing as a stimulant to business recovery and as an absorber of unemployment."[27] He therefore suggested establishing a "central housing corporation" to furnish some financial assistance to local limited dividend corporations in providing low-cost, owner-occupied units.[28] Foreshadowing CMHC, this corporation would also maintain a strong research and information function and generate national interest in housing and planning. The creation of the corporation would also avoid competition with the private sector and eliminate any need for a federal housing or urban affairs department.

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[24] Ibid., p. 380.

[25] Clark acted as Deputy Minister of Finance between 1932 and 1952. For more information about him, see, J.L. Granatstein, The Ottawa Men: The Civil Service Mandarins, 1935-1957 (Toronto: Oxford University Press, 1982), pp. 44-69; and "Canadian Housing 'Policy,'" p. 5.

[26] Special Committee on Housing, Minutes, pp. 353-54.

Clark's testimony dovetailed neatly with another presentation to the Special Committee offered by T. D'Arcy Leonard, solicitor for the Dominion Mortgage and Investment Association. Leonard opposed the introduction of a national public housing program and supported the initiation of a federally assisted mortgage scheme to encourage home ownership.[29] Thus, both Clark and Leonard shared the opinion that government intervention should be limited to mortgage assistance for prospective owners and builders.

In fact, Clark had been drafting housing legislation while the Special Committee held its hearings. Once it became clear that he and Leonard were in agreement, they negotiated for two months behind the scenes as representatives of the government and the lending institutions while the legislation took its final form.

In June 1935, the government presented its bill for the Dominion Housing Act to the House of Commons. In its first part, the Act proposed further study of the housing issue by the Economic Council of Canada. In its second part, it allocated $10 million to make loans available to builders or owners for house construction. The Act established the highly innovative principle of joint lending by which the owner or builder made a downpayment representing 20% of the cost on the appraised value of the property and by which the federal government and the lending institution provided 20% and 60% respectively of the mortgage. The DHA mortgage amounted to 80% of the appraised value and amortized over twenty years at 5% interest. The Act introduced a larger loan than the 60% previously permitted, a lower interest rate than the commonly available 5 1/2 - 6%, and an amortized loan blending principal and interest payments for a longer time period. The lending institution and the government were to share any losses owing to default.[30]

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[27] Ibid., p. 354.

[28] Ibid.

[29] Ibid., pp. 347-48.

When Sir George Perley, Minister without Portfolio, acting for the Minister of Labour, presented the DHA to the Commons, he explained that it would take "certain immediate steps of a practical nature designed to assist in solving the existing problem of unemployment" while the government proposed to study the housing issue.[31] The Department of Finance, not a national housing agency, would administer the DHA's operations. The modest character of the legislation disappointed the Opposition parties. Most Liberal members and all of the CCF argued for a bill of greater scope that would implement more of the Special Committee's recommendations and supply affordable homes to low wage-earners. As well, the CCF questioned the relationship between private lenders and government and the lack of a mechanism to provide loans to local housing authorities. Still, the bill passed the House of Commons and received Royal Assent by early July 1935. By October, a federal election had brought to power a Liberal government with Mackenzie King as Prime Minister. The new Minister of Finance, Charles A. Dunning, entertained no changes in the DHA until it had received a fair trial.

The implementation of the DHA proved to be a disappointment. Many life insurance, mortgage loan, and trust companies designated as lenders under the Act declined to participate due to high administrative costs and greater risks. An insignificant amount of house construction favoured middle-income home owners rather than low-income tenants. The DHA was responsible for the erection of only 4,903 units using 3,158 loans during its three year lifetime. Lenders discriminated against low-income urban neighbourhoods and remote cities and towns and distributed DHA homes unevenly among the provinces: with the greatest concentration of head offices, Ontario received 48% of all assisted units.[32]

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[30] Canada, Laws, Statutes, etc., An Act to Assist the Construction of Houses, 1935 (Dominion Housing Act), 25 & 26 Geo. 5, ch. 58; and Canada, Department of Finance, An Explanation of the Dominion Housing Act, 1935 (Ottawa: King's Printer, 1935).

[31] Hansard, 1935, vol.4, p. 3776.

Despite all its faults, the Dominion Housing Act marked the beginning of continuing federal initiatives to shelter Canadians. Late in 1936, on the recommendation of the National Employment Commission, Ottawa implemented another program, the Home Improvement Plan, to absorb construction workers back into the labour force. The HIP was a repair and renovation scheme under which a home owner could borrow up to $2,000 from a bank for a maximum of 5 years at 3 1/4% annual interest. The federal government guaranteed losses of up to 15% of the loan. The Canadian Bankers' Association supported the HIP, permitting the government to start the program before passage of the 1937 Home Improvement Loans Guarantee Act. When the NEC's term ended in 1938, the Department of Finance administered the plan. Ottawa spent $50 million on the HIP between October 1936 and October 1940, when it terminated the scheme due to the war effort.[33]

Owing to an effective advertising campaign developed under the NEC and to a successful promotional drive conducted by local and national committees representing business and industry, the HIP achieved its goal of providing more employment for construction workers. By February 1940, it had supplied an estimated 25.3 million hours of direct labour across Canada and absorbed an estimated $19 million of materials. It furnished 125,652 loans worth nearly $50 million with a very low default rate.[34]

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[32] Hulchanski, p. 35.

[33] Canada, Laws, Statutes, etc., An Act to Increase Employment by Encouraging the Repair of Rural and Urban Homes, 1937 (Home Improvement Loans Guarantee Act), 1 Geo. 6, ch. 11. For a summary of the HIP, see, "Keeping to the Private Market," pp. 181-202; and Finkel, pp. 107-108.

[34] NAC, Records of the Wartime Prices and Trade Board, RG 64, ser. 1010, vol. 89, file 106, "Preliminary Report on the Housing Situation in Canada and Suggestions for Its Improvement," prepared by Lesslie R. Thompson, p. 108, table 10; and RG 19, vol.

However, Ontario again received the greatest proportion of those loans, and middle-income home owners benefited more than low income tenants.

3.4 The 1938 National Housing Act

In July 1938, Mackenzie King's government continued its efforts to increase employment, to stimulate the construction industry, and to expand the housing supply by replacing the DHA with a new National Housing Act.[35] Again, W.C. Clark's ideological perspective guided the drafting of the legislation. NHA Part I kept the principle of joint lending. However, it extended operations to more borrowers with moderate incomes. The government and the lending institutions provided 80% loans on homes worth over $2,500 or 90% loans on those valued under $2,500. Ottawa raised the sum available for joint lending to $20 million. It also created a special branch, the National Housing Administration, within the Finance Department to supervise the NHA program. Frank W. Nicolls acted as Director of Housing, and Sam Gitterman, later CMHC's first chief architect, became the Housing Administration's architect.[36]

Like the HIP, the NHA Part I program accomplished much more than the DHA. Borrowers used all $1 million of the NHA fund by 1941, and those of more modest income or with residence in remote areas participated in the new plan. The numbers of dwelling units approved under federal mortgage plans jumped in 1938 and remained high until the

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705, file 203-1A, vol. 1, Press Release, no. 107, 13 February 1940. See also RG 19, vol. 709, file 203-1A, "The Operation of the National Housing Act up to December 31, 1941, and the Home Improvement Loans Guarantee Act up to Its Termination October 30, 1940," April 1942.

[35] Canada, Laws, Statutes, etc., An Act to Assist in the Construction of Houses, 1938 (National Housing Act), 2 Geo. 6, ch. 49. For a more in-depth study of the 1938 NHA, see, "Keeping to the Private Market," pp. 228-31, 249-66. See also, Finkel, pp. 108-109.

[36] For more information on Gitterman and Nicolls, see, S.A. Gitterman, "An Old Challenge," in Housing a Nation, pp. 81-88.

imposition of wartime restrictions. Unfortunately, the value of units averaged $3,947, almost $1,500 more than the price of a low-cost home. Only about one-fifth of NHA homes were worth under $3,000.[37]

Part II of the NHA provided for the first time a low-rental housing plan that offered local housing authorities federal loans of up to 90% of the construction cost at an annual interest rate of 2% and limited dividend companies loans of up to 80% of the cost at 1 3/4%. The Dominion Treasury made available $30 million for the program. Provincial governments had to pass enabling legislation for municipalities to participate in the plan, and they had to cover any losses. The Act stipulated that municipalities would have to forego all but 1% of taxes on low-rental projects. The federal plan placed limits on maximum rentals and household incomes. Unlike a low-rental housing scheme devised by the NEC and shelved by Finance Department officials, it did not allow subsidies for reduced rents ensuring the accommodation of low-income households.

The NHA Part II program proved unworkable due to the unwillingness of the provinces to pass enabling legislation and to the resistance of municipalities to give up taxes on proposed projects: neither governmental level would assume any additional financial risk on subsidy when carrying the tremendous burden of the depression's relief costs. Other difficulties with federal cost formulas, local property interests, and private investment sources stalled proposals across the country. Finally, the expiry date of 31 March 1940 passed without a single project approved by Ottawa.

Part III of the Act was a tax incentive to the small home owner. The federal government agreed to pay a portion of municipal taxes for three years on units costing less than $4,000 if a municipality would furnish building lots for $50. This little used section of the Act expired as well at the end of March 1940.

The next landmark in the story of federal involvement in housing was the federal proposal to create a central mortgage bank. Although the Central Mortgage Bank was significant historically as another example of federal intervention in the housing market through fiscal means without directly competing with the private sector.[38]

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[37] Curtis Report, pp. 327-28, tables 90a, 90b, and 90c.

By 1938, general economic recovery continued to be disappointing, and mortgage debt on rural farms and urban houses remained high in relation to the debtor's income and the property's value. Lenders faced considerable risk of default as the depression lingered and as the huge numbers of unemployed and relief recipients persisted.

In W.C. Clark's view, the federal government should write down mortgage debts to more reasonable levels in relation to the value of farms and houses. Lacking constitutional power to compel the creditors' participation, the government would have to work out a voluntary arrangement with them. Clark drew up a proposal for a central mortgage bank early in 1939, and the Finance Minister introduced a bill for its establishment in May. Despite opposition from the lending institutions and from the Senate and its Conservative leader, Arthur Meighen, Clark finally won out. The Central Mortgage Bank Act received royal assent in mid-July.

The legislation set up a Central Mortgage Bank owned and controlled by the federal government and operated by the Bank of Canada with a board of directors that included the Deputy Finance Minister. The CMB could issue government-guaranteed debentures up to $200 million. Membership in the Bank would be voluntary. A lending institution could join the bank if it agreed to adjust its mortgages for farms to a 5% rate and those on homes to 5 1/2% if the debt did not exceed $7,000 for a single unit or $12,000 for a double one. As well, the institution would have to write off all interest arrears in excess of 2 years and all amounts owing on the mortgage itself beyond 80% of the property's appraised fair market value.

The CMB's incentive to the lending institutions in achieving realistic 1939 valuations and interest rates was to authorize the federal government to share the cost of the write-offs. Ottawa would issue creditor companies twenty-year guaranteed debentures at 3% equivalent to one-half of the reduced mortgage. As well, the CMB would offer "permanent discounting facilities" to its member corporations.

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[38] For a discussion of the Central Mortgage Bank, see, Robert B. Bryce, Maturing in Hard Times: Canada's Department of Finance through the Great Depression (Kingston and Montreal: McGill-Queen's University Press, 1986), pp. 168-71; and Finkel, pp. 109-112.

Much confusion surrounded the establishment of the CMB. Canadians ranging from Premier William Aberhart of Alberta to farmers and home owners fearing foreclosure misunderstood the purpose of the Bank. To some, it appeared that the government proposed to become directly involved in the mortgage business.

The creative invention of the CMB derived from Ottawa's prime preoccupation with financial markets, liquidity, and public confidence. The investment community and the borrowing public suffered greatly during the "hungry" thirties, and the federal government attempted to re-establish confidence in the private market by providing money for housing investment on an individual and corporate scale. The Central Mortgage Bank Act reflected W.C. Clark's success in bringing the lending institutions back into the mainstream of housing finance.

Upon the Act's proclamation, the government appointed David Mansur as General Superintendent of the proposed bank.[39] Having spent the previous decade in Montreal as manager of the Sun Life Company's mortgage and real estate department, Mansur brought to his intellectual partnership with Clark extensive mathematical and actuarial skills and trusted contacts with the financial community. However, the CMB never went into active operation due to the uncertainties of World War II. In 1945, the government repealed the CMB legislation.

The significance of the CMB in the evolution of housing policies lay in the persuasive influence and the remarkable ability of Clark and Mansur in establishing precedents for federal action in debt adjustment and mortgage reform. Eventually, Clark's promotion of better housing conditions for Canadians through a government assisted market-place would find its realization with the establishment in 1946 of the Central Mortgage and

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[39] For additional information about Mansur, see, Housing a Nation, pp. 1-9.

Housing Corporation.

Canada entered World War II with its economy bruised and its population intimidated after a decade of depression. The war changed all that by generating jobs and economic recovery and by clearly articulating the goal of winning the war. Between 1939 and 1942, the war produced a 60% increase in industrial employment in 12 metropolitan areas. In 1943, war industries employed 848,000 people while civilian occupations engaged approximately 500,000. Non-manufacturing operations absorbed over a million workers. Some 300,000 persons moved to cities participating in the war effort, resulting in tremendous housing shortages.[40]

3.5 Wartime Housing Limited

In February 1941, the federal government resolved the national emergency of housing war industry workers. Under the War Measures Act, it created by order-in-council a new crown company, Wartime Housing Limited, to build temporary houses for war workers.[41] WHL reported through its president, Hamilton contractor Joseph M. Piggott, to C.D. Howe, the Minister of Munitions (later Reconstruction) and Supply. However, given the enormity of the department's task and Howe's administrative burden, WHL remained independent of ministerial interference in its day-to-day activities. With a head office in Toronto and 51 branch offices at work in 73 municipalities by 1945, the company in itself was greatly decentralized.

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[40] Curtis Report, pp. 132, 135. See also, John C. Bacher, "Under the Threat of Expulsion: Women Were Blamed for the Housing Shortage during World War II," Women and Environments 10,2 (Winter 1988): 14-15.

[41] For a study about WHL, see, Jill Wade, "Wartime Housing Limited, 1941-1947: Canadian Housing Policy at the Crossroads," UHR 15, 1 (June 1986): 41-59. See also, John C.Bacher, "Too Good to Last? The Social Service Innovations of Wartime Housing," Women and Environments 10, 2 (Winter 1988): 10-13; "Keeping to the Private Market," pp. 293-297, 302-319. 460-462, 520-525; Kennedy, pp. 480-489; Curtis Report, pp. 35-40, 262-65; and Firestone, pp. 484-485, 488.

WHL operated as both a large-scale contractor/developer and as a landlord. After conducting surveys of local residential conditions to determine the best locations for projects, it contracted local builders and architects to erect rental units of three standard design types ordinarily requiring a progressive semi-prefabricated construction method for quick on-site assembly. When the lack of accommodation became even more severe between 1943 and 1946, WHL began to provide dwellings for the families of soldiers and veterans. By January 1947 when CMHC took it over, it had completed nearly 26,000 units across Canada using government advances of over $86 million.[42] WHL also acted as landlord to thousands of moderate income families until 1946 when the government initiated the gradual selling off of houses to tenants.

In 1944-1945, officials within the federal government gave serious consideration to the question of continuing the clearly successful WHL operations beyond the wartime emergency. Joe Pigott suggested a continuing but altered mandate for WHL in the field of low-cost rental housing, and David Mansur speculated that the government could have set up a national public housing authority within Reconstruction and Supply that fully utilized WHL's experiences in the housing field. Nevertheless, high-level communications between Howe and J.L. Ilsley, the Minister of Finance, rejected the feasibility of using WHL to supply low-rental projects. As Humphrey Carver has suggested,

> ...the prospect of the federal government becoming landlord to even more Canadian families horrified a Liberal government that was dedicated to private enterprise and would do almost anything to avoid getting into a policy of public housing.[43]

By 1947, the newly established Central Mortgage and Housing Corporation had absorbed WHL in the consolidation of virtually all federal housing programs into one permanent body. Thereafter, CMHC emphasized its desire to provide mostly market housing for Canadians through its continuing administration of the 1944 National Housing Act.

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[42] "Wartime Housing Limited," pp. 47,49.

[43] Humphrey Carver, Compassionate Landscape (Toronto: University of Toronto Press, 1975), pp. 109-10.

In addition to the establishment of WHL, the federal government met the wartime accommodation and construction problem with other initiatives. Under the Appropriations Act No. 5 in 1942, it introduced the Home Extension Plan.[44] Operated by the Finance Department's National Housing Administration, this plan provided a small amount of extra rental space through 110 conversions to existing buildings. Like the Home Improvement Plan, the government guaranteed bank loans for alterations. In 1943, the newly inaugurated Home Conversion Plan more substantially increased the supply of rental units with a minimum use of building materials. Under this program, the National Housing Administration leased for five years large dwellings or apartment blocks in various cities and undertook 2,099 conversions.

In order to divert badly needed materials and labour to the war effort, the federal government passed several orders-in-council to set up a Construction Control within the Department of Munitions and Supply and to appoint a Controller authorized to restrict civilian building across Canada.[45] At the local level, the Control issued federal permits for house building and regulated the volume of construction by raising or lowering limits on the value of new dwellings. The government discontinued the Control in December 1945. Other divisions within the Munitions and Supply Department managed the supply of materials available for home construction. For example, Timber Control limited the stock of lumber, and Priorities Branch gave preference to federal programs erecting war workers' or veterans' units.

In September 1939, the federal government created under the War

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[44] For the Home Extension Plan and the Home Conversion Plan, see, "Keeping to the Private Market," pp. 321-323; and Firestone, pp. 487, 490-491.

[45] Kennedy, vol. 2, pp. 80-87.

Measures Act the Wartime Price and Trade Board to counteract inflation.[46] A year later, it extended the Board's scope to include housing as a "necessary of life" and gave it power to fix rentals at the 1 January 1940 level, to define lease conditions, to regulate the housing markets of 30 designated areas, and to appoint administrators. A Rentals Administrator in Ottawa and various local committees investigated and adjudicated applications and complaints. By late 1941, rent controls applied to the whole country. The Board also regulated evictions, and, as the housing problem intensified in July 1945, it imposed a general freeze on all expulsions. Although the government gradually relaxed rent controls in the late 1940s, they remained in effect until the early 1950s.

As well, the Women's Regional Advisory Committees of the WPTB's Consumer Branch initiated 29 local housing registries staffed by women volunteers and several paid employees. The registries listed spare accommodation, accepted applications for shelter, and furnished Ottawa with accurate surveys of regional housing conditions.

To cope with the increasingly acute rental problem, the WPTB designed a series of emergency shelter regulations beginning in December 1944.[47] It applied controls previously tested in Halifax to other congested areas like Ottawa, Toronto, Hamilton, and Vancouver and, finally in 1945, to the entire nation. To each area, the Board appointed an administrator to co-ordinate all attempts to relieve the situation. At the war's end, the administrators assisted municipalities in converting unoccupied armed forces hutments, old hotels, immigration sheds, and other buildings into temporary habitation for homeless veterans and their families. They also helped rapidly expanding universities to procure living space for students recently discharged from the services. CMHC eventually took over the emergency shelter administration and operated it until its termination in December

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[46] "Keeping to the Private Market," pp. 288-292, 323-325, 345-351, 457-460; Curtis Report, pp. 255-261; and NAC, RG 64, vol. 29, file [entitled] "Rental and Eviction Controls, World War II," "Canadian Rental and Eviction Controls, World War II and the Post War Years," prepared by E.E. Booth, 1 December 1937.

[47] "Keeping to the Private Market," pp. 422-430, 457-460, 465-467, 476, 492-495, 518; The Canada Year Book, 1947, p. 586; and Firestone, pp. 498, 500.

1948. Over 10,000 conversions occurred under the emergency shelter program.

Still, economic dislocations brought on by depression and war fostered among reform-minded citizens a growing concern about the need for increased economic and social security for the entire population. They considered housing to be a social need rather than a market commodity. Widespread deterioration in many cities across the country documented in the Bruce and Grauer reports reinforced their claims that the provision of adequate housing was necessarily tied to wider social welfare issues and to long-term solutions in federal policies and programs.

As well, deep cyclical unemployment, rooted in the structural rigidities of Canada's economy, prompted renewed consideration of systematic federal intervention through public policy initiatives. The next wave of national housing programs has to be viewed within the social and economic context of the developing welfare state and of post-war reconstruction.

4. Social Change and Post-war Reconstruction

According to prevailing view in nineteenth and early twentieth century Canada, the family and the charitable organization represented the most appropriate source of social assistance.[48] Local and national governments played limited roles in relief matters. Application for relief reflected the moral failure of the individual rather than the impact of a harsh social and economic environment.

By the late 1930s, the British economist John Maynard Keynes had demonstrated to the nations of the western world that governments could pursue specific economic policies to prevent the recurrence of another cataclysmic event like the depression. The Canadian government accepted Keynes' ideas with caution. It gradually began to use its policies and programs as financial levers to increase the volume of construction necessary to overcome the post-war accommodation shortage. From W.C. Clark's perspective, social objectives in housing had to be reconciled with these economic considerations.

Clark's position remained seriously at odds with social reformers' arguments favouring state intervention in housing as part of a broader social welfare approach. Indeed, the social and economic consequences of World War II, coupled with the devastating effects of the depression, sparked a vigorous debate over the need for a comprehensive, national social security system.

Nevertheless, in January 1943, under the pressure of growing demands for post-war social reconstruction in housing, the federal govern ment struck a Subcommittee on Housing and Community Planning as part of its Advisory Committee on Reconstruction chaired by C.E. James, principal of McGill University.[49] Professor C.A. Curtis of Queen's University chaired the Sub-committee, and Leonard Marsh, a distinguished social scientist at McGill and a former student of Sir William Beveridge, the architect of British social security, acted as research adviser.

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[48] For a description of the development of social services in Canada, see, Dennis Guest, The Emergence of Social Security in Canada (Vancouver: University of British Columbia Press, 1985). See also, James Struthers, No Fault of Their Own: Unemployment and the Canadian Welfare State, 1914-1941 (Toronto: University of Toronto Press, 1983).

The Advisory Committee on Reconstruction concerned itself with six national policy areas of which housing, coupled with community planning, was a strategic component. The concern for housing in the midst of global war represented an extraordinarily optimistic and farsighted act and demonstrated Canada's abiding faith in ultimate victory. As well, the special support of and intervention by Ian Mackenzie, the wartime Minister of Pensions and Health, who argued that the public would want improved social conditions whenever peace came, convinced the government to approve the Advisory Committee on Reconstruction. The Subcommittee on Housing and Community Planning consisted of some of the country's leading advocates of a social housing policy. Its twelve members included social scientists, urban planners, architects, engineers, and public servants like George Mooney, Secretary of the Canadian Federation of Mayors and Municipalities, S.H. Prince, Chairman of the Nova Scotia Housing Commission, and Eric Arthur, University of Toronto professor of architecture and co-author of the Bruce report. Federal government assistance came from F.W. Nicolls, Finance's Director of Housing, Joe Pigott, WHL president, and H.F. Greenway, Dominion statistician.

Asked to review existing legislation and administrative structure relating to housing and community planning and to report on changes in legislative and organizational procedure necessary to implement an adequate post-war housing program, the Subcommittee produced an incisive, insightful report. It recommended "a housing program of large dimensions" to satisfy the popular "desire for better housing and better living standards," to further employment opportunities for demobilized servicemen and former war workers, and to catch up with other countries in the provision of state-assisted accommodation "as a matter of welfare and public concern."[50] This "equitable and comprehensive plan" would include all forms of housing but give "special" attention to low rental and rural dwellings. Although it assumed that contractors and corporations would build most schemes, it would encourage public, private, and co-operative participation in financing and operating schemes. Subcommittee members placed town and community planning in the forefront of all projects in order to use land "in its most efficient and socially desirable way." The constitutional division of responsibility in Canada required co-operation between all levels of government in forming innovative enabling legislation and in financing specific schemes. Finally, the Subcommittee encouraged the decentralization of administrative machinery to recruit as much input and control as possible. The Curtis Report, as the Subcommittee's study became known, estimated a need for 606,000 new urban units and 125,000 new farmhouse units in the first post-war decade. It recommended the annual construction of a minimum 50,000 units in the first few years following the war. Substantial repairs and improvements would be required on 355,000 existing dwellings.[51]

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[49] For a summary of the Subcommittee's and activities of the Curtis report, see, Bacher's "Keeping to the Private Market," pp. 368-393, and "Canadian Housing 'Policy'," pp. 9-10.

The Subcommittee noted distinctions in housing policy between three income groups: those who could afford to build their own homes without assistance; those who could pay market rent or, given appropriate financial assistance, own their homes; and those who could not afford to pay the rents for satisfactory housing and lived in slum or overcrowded conditions. In particular, it analyzed the affordability problem among low- and middle-income metropolitan tenant families. It suggested that low-rental projects be aimed at the lowest third of these families and that the National Housing Act be extended to benefit a good proportion of the middle third. With respect to low-rental schemes, the Subcommittee recommended the establishment of local housing authorities working in relationship with municipal, provincial, and federal governments and the introduction of rent reduction subsidies.

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[50] Curtis Report, p. 9.

[51] Ibid., pp. 12-13.

The Subcommittee made other proposals to resolve war housing problems, including recommendations for home renovation and improvement, for co-operative, company-owned, and farm housing, for town planning, and for reductions in building costs.

The Advisory Committee on Reconstruction marked a significant milestone in the country's progression toward a broadly based social security system. Moreover, as its final report noted,

> ...social security legislation is not something sufficient to itself but part of a broad program for the improvement of the human resources of the nation in which such things as housing, nutritional policy and education have important places.[52]

The Advisory Committee's Subcommittee clearly identified the manner in which large-scale, policy based federal intervention could extend a social security system into the areas of housing and town planning. Unfortunately, the government responded to the Curtis report by implementing very few of its recommendations in the 1944 National Housing Act.

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[52] Canada, Advisory Committee on Reconstruction, Report (Ottawa: King's Printer, 1944), p. 33. See, as well, Leonard Marsh, Report on Social Security for Canada (Toronto and Buffalo: University of Toronto Press, 1975).

5. *Conclusion, 1918-1946*

Canada entered the post-war period more equipped to deal with housing issues than at any other time in its history. Although the federal government regarded housing as an appropriate regulator and generator of economic growth and prosperity, it was gradually coming to recognize that it would have to integrate its housing policy into a broadly based social security system, in order to address the needs of a large segment of society. While constitutional jurisdiction clearly lay with the provinces, it understood that its "superior power of the purse" could provide substantial direct and indirect support for house production in all regions for the full spectrum of economic and social need. In accepting a permanent role in housing, Ottawa required a focus for emerging policies and continuing programs and an institutional structure for mutually supportive public and private initiatives. The stage was set for the creation of the Central Mortgage Corporation.

Part II

From Housing Finance to Urban Renewal,

1946 to 1968

6. Introduction

During the first two post-war decades, a number of social, economic, educational, legislative, and human factors shaped the evolution of housing and urban development policy in Canada.

Unprecedented economic growth and enormous demographic change characterized those years. Huge waves of immigration, fully supported and encouraged by government, generated exponential economic growth which in turn demanded inventive adaptation and adjustment in housing policies and programs. By the late 1960s, Canada had become predominantly urban, metropolitan-centred and multicultural. These quantitative and qualitative changes created the modern Canadian city with all its problems and its opportunities for growth and improvement.

In addition, since 1945 Canada has developed a sophisticated social welfare system. Building on Western European precedents, the nation became fully committed to a social support network which now comprises family allowance, pension schemes, unemployment insurance, and, above all, universal medical care. Housing and federal government financial support represent two cornerstones of this safety net. Members of Parliament perceived housing to be a key social and economic issue. Sometimes they ambivalently supported it, but they nevertheless sustained it. Federal housing initiatives act as a vital component in the array of public policies making up the Canadian welfare state.

Furthermore, a visible change in the focus and the scale of federal and provincial housing legislation has reflected varying social and economic needs. During the forties, legislation stressed the necessary financing for an individual to buy a lot and build a house. From the house, emphasis shifted to the street and the city block, then to the neighbourhood, and finally to the city. Legislation focused first on mortgage finance, joint loans and mortgage insurance and later on land acquisition and urban renewal. As well, it extended federal financing from houses to infrastructure, including water, sewers, roads, sidewalks, and all the capital costs required to build suburban Canada. It also supported improvements in design quality and land subdivision and rationalization of the land market through selected land banking and urban renewal.

During the two post-war decades, the federal government promoted community planning and fostered research through CMHC. The provision of fellowships, the advancement of academic teaching, scholarly research, and broadly based public education, and the contribution of financial support for citizens' organizations, ensured a better understanding of Canadian cities. Through Part V of the National Housing Act, the federal government invested in the future and secured solid improvements in the theory and the practice of community planning and urban development.

The personalities of the Ministers responsible for CMHC, the Corporation's presidents and staff, and a wide range of professionals and academics outside Ottawa participated in shaping Canada's emerging housing policies and programs. CMHC, the major catalyst, played a seminal role through its main and regional offices. Policies emanating from the House of Commons enjoyed varying degrees of support from all political parties and from Canada's electorate during the St. Laurent, Diefenbaker, and Pearson years.

7. New Beginnings

7.1 The 1944 National Housing Act

Pondering its pre-war experience with national housing legislation and recalling its success with Wartime Housing Limited, the federal government attempted to anticipate post-war needs by revising the National Housing Act.[53] In 1944, Finance Minister J.L. Ilsley introduced in Parliament new legislation drafted by Deputy Minister W.C. Clark "to promote the construction of new houses, the repair and modernization of existing houses, the improvements of housing and living conditions, and the expansion of employment in the post-war period."[54] The Act received royal assent on 15 August 1944.

The 1944 NHA did not implement most of the major recommendations of the Curtis report. Rather, Clark and the representatives of the Dominion Mortgage and Investments Association worked out the direction and the detail of the legislation much as they had with the 1935 DHA. Specifically, the new NHA ignored the pressing issues of low-income housing and rapid urban expansion and broadened mortgage assistance programs for home owners.

Part I of the 1944 Act authorized joint lending by the federal government and the lending institutions to homeowners or builders. It set the maximum amount of the joint loan at 95% for the first $2,000 of a house's lending value, 85% for a value of $2-4,000, and 70% for a value of over $4,000. It also fixed the maximum federal portion of the loan at 25%. The loan carried a 4 1/2% annual interest rate. It amortized over twenty years or, if proper planning and zoning practices protected the home, over thirty years. These NHA provisions most nearly matched the Curtis report's recommendations, but they still fell short of them particularly with respect to downpayments and amortization periods.

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[53] "Keeping to the Private Market," pp. 367-421.

[54] Canada, Laws, Statutes, etc., The National Housing Act, 1944, 8 Geo. 6, ch. 46.

NHA Part II made possible joint lending by the federal government and the lending institutions to home owners or builders under conditions similar to those in Part I for the erection of rental housing. As well, it permitted the advancement of federal loans to limited dividend corporations for the construction or the conversion of low-rental projects. It also guaranteed a 2 1/2% annual return to life insurance companies that invested funds in low-or moderate-cost rental complexes. Under this part of the Act, the federal government agreed to make grants to municipalities for land assembly for low or moderate cost rental units developed by limited dividend housing corporations or life insurance companies. The Act made no provision for federal rent subsidies.

Part III provided for joint loans to farmers for the construction of homes on farmland. Part IV adopted the Curtis report's recommendation for the liberalization of home improvement and home extension lending operations, although the government delayed proclamation for a decade. Part V allowed ministerial investigations into residential conditions and distribution of information about housing and community planning.

7.2 The Creation of the Central Mortgage and Housing Corporation

By the end of World War II, serious housing congestion had developed in Canada's principal cities owing to major shifts of population among war workers and service personnel and to shortages of construction supplies and labour. The demobilization of the armed forces, the influx of war brides from overseas, the rapidly increasing family formation rate, and the continuing short supply of building materials and workers exacerbated the housing situation.[55]

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[55] Wade, pp. 42, 44; and Jill Wade, "'A Palace for the Public:' Housing Reform and the 1946 Occupation of the Old Hotel Vancouver," in Vancouver Past: Essays in Social History, pp. 290-94.

The urgent need for a co-ordinated federal response within constitutional and institutional constraints to post-war housing shortages led to the creation of a crown company, Central Mortgage and Housing Corporation. Modelled on the Central Mortgage Bank, CMHC's functions included the stabilization of the housing market through its administration of the 1944 NHA and the consolidation of almost all federal housing programs into a single agency. The act incorporating CMHC received royal assent in mid-December 1945, and the Corporation came into existence on 1 January 1946.[56]

Crown corporations are vehicles for the execution of policy and programs based on the concept of combining public accountability with relative independence from state scrutiny in its day-to-day operations. Although they report through a Minister to Parliament, especially in budgetary matters, crown corporations are not normally subject to direct ministerial control as are government departments. For example, personnel issues remain an internal matter independent of the Public Service Act. The statutes under which governments establish crown companies define the scope of their operations and autonomy.

Originally reporting to the Minister of Finance, J.L. Ilsley, CMHC within months became the responsibility of C.D. Howe, Minister of Reconstruction and Supply. In terminology evocative of war, Howe called for an "all-out effort on the housing front."[57] Canada had in Howe the best man in Cabinet to wrestle with the problem of shelter. A Massachusetts Institute of Technology engineering graduate who later taught at Dalhousie University and a prosperous builder of grain elevators in Winnipeg and at the Lakehead, Howe eventually ran successfully for Parliament. His finest hour came in the 1940s when, as Minister of

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[56] Canada, Laws, Statutes, etc., The Central Mortgage and Housing Corporation Act, 1945, 9-10 Geo. 6, ch. 15. See also, "Keeping to the Private Market," pp. 476-483.

[57] Hansard, 1946, vol. 4, p. 3673. For more on Howe, see, L. Roberts, C.D. - The Life and Times of Clarence Decatur Howe (Toronto: Clark, Irwin, 1957); and R. Bothwell and W. Kilbourn, C.D. Howe: A Biography (Toronto: McClelland & Stewart, 1979). For another description of these years, see, "Keeping to the Private Market," pp. 490-542.

Munitions and Supply, he organized the war effort furnishing materials to Canadian and Allied forces. After 1945, he turned his energies toward reconstruction and, in particular, an ambitious housing program. At first, he operated through WHL projects and through construction and supply controls. Later, as the Minister responsible for CMHC, he set high goals for house building: his aim was to erect almost 500,000 during the first five post-war years.[58] By 1948, the country experienced more building than ever before in its history.[59] Yet that year, Howe moved on to the Department of Trade and Industry, and Robert Winters, another MIT engineer, took over Reconstruction and Supply and CMHC. Subsequently, the Corporation has served about twenty different ministers whose portfolios have ranged from Labour to Urban Affairs.

CMHC's Board of Directors initially included the president, the vice-president, and the Deputy Ministers of both Finance and Reconstruction and Supply, as well as Bank of Canada representatives and five other regional directors. David Mansur, formerly general superintendent of the Central Mortgage Bank, became CMHC's first president. Major-General Hugh A. Young acted as his vice-president.

CMHC's major task consisted of the administration of the 1944 NHA. With its approval, the number of loans made under the Act rose from 7,341 in 1946 to 33,934 in 1950. The number of units built with these loans climbed from 11,827 to 42,280 over those few years. Most of the homes were owner-occupied rather than rented.[60] By 1948, about half of the loans and the units had received approval under the Integrated Housing Plan, which Finance devised in 1945 and added to the NHA in 1946.[61] The plan provided veterans' dwellings at lower cost than if purchased under the ordinary NHA program. It restricted sales to veterans, gave priorities in materials to builders, set a pre-determined sale price, demanded the builder's commitment to roof the house within four months of the starting date, and furnished CMHC's guarantee to purchase unsold homes within six months of completion. Between 1947 and 1949, the Plan resulted in the construction of 13,531 units.

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[58] Hansard, 1946, vol. 4, p. 3673.

[59] CMHC, Annual Report, 1948, p. 6.

[60] CMHC, Annual Report, 1946, table 1, p. 26, and 1950, table 4, pp. 54-55.

[61] CMHC, Annual Report, 1946, pp. 5-6; 1947, table 3, p. 29; 1948, table 4, p. 53; and 1949, table 4, pp. 56-57. See also The Canada Year Book, 1947, p. 585.

By 1947, under the NHA Part V, CMHC actively engaged in housing research covering economic, statistical, sociological, technical, and architectural areas. It worked closely with organizations within the federal bureaucracy like the Division of Building Research, National Research Council, and others outside government like the Royal Architectural Institute of Canada and the Community Planning Association of Canada. It undertook the publication of quarterlies like Housing in Canada and Housing Progress Abroad and of books of small house designs. The Corporation encouraged the initiation of community planning courses in Canadian universities, commenced its post-graduate scholarship program, and undertook studies analyzing existing planning legislation and procedures. It intended all these investigations to "round out the task of acquiring and disseminating new knowledge for the improvement of living conditions of the Canadian people."[62]

In addition to administering the performance of the 1944 NHA, CMHC gradually absorbed several wartime programs initiated by other government departments and agencies. C.D. Howe explained that consolidation would expedite dealings with the provinces, municipalities, and individual owners, builders, or tenants.[63] Indeed, these steps "resulted in substantial increases of loan approvals and streamlined lending operations under NHA to individual borrowers."[64] The Finance Department and the Wartime Prices and Trade Board transferred the Home Extension and Home Conversion Plans and the emergency shelter administration to CMHC upon its formation.[65]

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[62] CMHC, Annual Report, 1947, p. 11. See pp. 11-13 for a summary of these varied activities.

[63] Hansard, 1946, vol. 3, p. 3673.

[64] Ibid., p. 3690.

In 1947, the Corporation took over the war workers' and veterans' operations of Wartime Housing Limited. As CMHC's construction arm, WHL continued to build veterans' rental units under agreement with municipalities across the country and converted war surplus federal buildings into temporary accommodation during the post-war housing shortages. With the incorporation of WHL's officials into its bureaucratic structure, CMHC acted as landlord of all completed units. Following a federal decision in 1946 to sell off this housing, the Corporation supervised the sale of over 38,000 units by 1952.[66]

In 1947, CMHC took over the financially unsuccessful Housing Enterprises of Canada Limited.[67] Formed by major Canadian insurance corporations under a 1945 NHA amendment, HEL was a limited dividend company that attempted to build and manage moderately priced rental accommodation with CMHC's approval for location, costs and rents. HEL invested 10% of the project costs, and CMHC financed the remainder through a mortgage with a 3% annual interest rate. When HEL recognized that it could not produce housing at anticipated costs, it approached the federal government and requested CMHC to absorb its assets and operations. By December 1947, HEL/CMHC had started 3,313 units and completed 2,847: the rest were ready for occupancy in the following year.

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[65] CMHC, Annual Report, 1946, pp. 6-7.

[66] Central Mortgage and Housing Corporation, Annual Report, 1952, table 15, p. 79. See also, Gordon Murchison, "A Life Remembered," in Housing a Nation, pp. 13-21. Murchison directed CMHC's Mortgage and Real Estate Division between 1947 and 1954.

[67] CMHC, Annual Report, 1947, p. 10; "Keeping to the Private Market," pp. 405-406, 413, 432-435, 456, 464-465, 500; and The Canada Year Book, 1947, p. 585.

Rural housing activities under the 1942 Veterans' Land Act remained with the Department of Veterans' Affairs.[68] The VLA Administration assisted ex-servicemen in securing homes on one-acre holdings near large urban areas. With prior application from interested veterans, it purchased farm land, made improvements, and sold the property under financial conditions advantageous to the applicants. It also bought land and built houses on a subdivision plan on its own initiative. Between 1946 and 1949, the VLA Administration started 10,623 units and completed 8,000.

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[68] Canada, Laws, Statutes, etc., An Act to Assist War Veterans to Settle upon the Land, 1942 (Veterans' Land Act), 6 Geo. 6, c. 33; Firestone, pp. 487, 489; and The Canada Year Book, 1946, pp. 460-461. See also, Walter S. Woods, Rehabilitation (A Combined Operation) (Ottawa: King's Printer, 1953).

8. CMHC and the NHA, 1949 to 1954

8.1 The 1949 NHA Amendments

Despite Prime Minister Louis St. Laurent's statement in late 1947 that "no government of which I am a part will ever pass legislation for subsidized housing," two years later David Mansur brought in a significant amendment to the 1944 NHA making possible a public housing program.[60] Section 35, as this amendment became known, introduced joint federal-provincial sharing in the acquisition and the development of land for the construction of houses for sale or for rent. The federal government and the province shared capital and operating costs, profits, and losses on a 75-25% sharing basis.

The intense debate over government-built public housing, whether based on the British or the American models, was now almost two decades old. Successive federal governments had ideologically opposed subsidization. They assumed that increasingly favourable mortgage assistance and other indirect incentives in the marketplace would provide adequate housing for many and that the vacated stock would "filter down" to low-income groups. Despite this approach by the late 1940's, more and more Canadians could not find or keep adequate housing at affordable prices. In 1948, the City of Toronto finally acted unilaterally and built Canada's first subsidized project, Regent Park. Toronto's mayor staked his re-election on a promise to build public housing in response to the urgent needs of the poor. However, "despite the favourable vote, there was fairly strong opposition to the assumption of responsibility by the City of Toronto in the absence of supporting provincial legislation and financial assistance."[70]

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[60] Canada, Laws, Statutes, etc. Act to Amend the National Housing Act, 1949, 13 Geo. 6, ch. 30; and "Keeping to the Private Market," pp. 528-535. See also, Robert T. Adamson, "A Real and Enduring Achievement," in Housing a Nation, pp. 69-78.

The concept of shared federal-provincial assistance helped Ottawa to resolve the dilemma over public housing. Mansur "was totally neutral to the whole question and wrote a totally neutral piece of legislation" that "deviously made public housing legitimate, together with rental subsidies for low-income families."[71] Nevertheless, the use of the word "deficit" rather than "subsidy" in the 1949 amendment implied "that there was no positive intention to help low income families and a deficit would only occur as the consequence of some unfortunate administrative error." The federal government's intention was "to unload upon the provinces some of the responsibilities for public action in housing." To activists like Humphrey Carver, the move "seemed like a shabby trick" because "the provinces had not shown the slightest interest in social responsibilities for housing." The trick worked. In 1952, only 1,230 units in 11 rental projects across the country received a subsidy, while the 1944 NHA had financed 34,323 units with 23,718 loans.[72]

8.2 *Building a Corporate Headquarters*

The scale and the scope of CMHC expanded as the demand for housing grew and as government initiatives increased. By 1950, the staff numbered 300 at headquarters. Regional offices for the Maritimes, Quebec,

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[70] Canadian Housing Policies (1935-1980), p.31. See also Albert Rose, Regent Park: A Study in Slum Clearance (Toronto: University of Toronto Press, [1958]); and Humphrey Carver, Houses for Canadians: A Study of Housing Problems in the Toronto Area (Toronto: University of Toronto Press, 1948). For other efforts to achieve public housing, see Jane Lewis and Mark Shrimpton, "Policy making in Newfoundland during the 1940s: The Case of the St. John's Housing Corporation," Canadian Historical Review, 65,2 (June 1984): 209-239; and John C. Bader, "From Study to Reality: The Establishment of Public Housing in Halifax," Acadiensis, 18,1 (Autumn 1988): 120-135.

[71] Personal communication from Humphrey Carver to H.P. Oberlander, 28 November 1987, and Compassionate Landscape, p. 109.

[72] CMHC, Annual Report, 1952, p. 16, and table 4, pp. 55-57.

Ontario, the prairie provinces, and British Columbia offered NHA programs and services. A network of local offices ensured regionally diversified functions and heightened co-operation with the provinces.

In Ottawa, CMHC still operated in No. 4 Temporary Building on Wellington Street, which had been built for wartime use over a decade earlier. Yet the Corporation was here to stay. It required an appropriate, new, permanent headquarters commensurate with its financial importance and its impact on Canada's post-war economy.

The new headquarters building was situated outside the centre of Ottawa. It presented to Mansur "a very clearly conceived opportunity to feel that he was an independent operator."[73] "He wanted to run his own show with little opportunity for the politicians to breathe down his neck." The remote location required several support services. A special bus system collected staff every morning for the ride to the Montreal Road location and returned most people to Ottawa, especially its west end, in the evening.

However, a wartime spirit animated the new office building. "Brought up from being a drummer boy to a general, with a view of the hierarchy of command," vice-president Hugh A. Young made certain that he and Mansur occupied the top floor of the new structure and that all the "troops" were "properly billeted" in rooms on the lower floors. To keep up the "esprit de corps", Young made certain that the troops were well fed. A cafeteria provided good lunches and other food services at subsidized prices until the 1970s.

Mansur "thought of CMHC as a money management institution and his image of such a thing was an American insurance company." He wanted the new building to look like the head office of such a company. The architectural firm of Marani, Morrison, and Lawson provided a bold stylistic statement that projected CMHC's financial significance. Thus, the Montreal Road headquarters confirmed the Corporation's mandate: mortgage finance preceded other housing issues in importance.

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[73] Carver to Oberlander, 28 November 1987.

9. Changing Directions

9.1 From Mansur to Bates

On 1 November 1954, David Mansur, CMHC's first president, retired. He left with great pride in his accomplishments. In particular, he brought the financial community into the mortgage field and re-established confidence in housing investment. His retirement banquet was a unique outpouring of public and private appreciation for his achievements.

Stewart Bates succeeded Mansur as president. The two men were fundamentally different people in terms of outlook, management style, intellectual goals, and objectives. While Mansur viewed housing primarily as an economic activity benefiting from a close relationship with the lending institutions, Bates expressed strong social concerns about sheltering Canadians and promoted increased quality and fairer distribution of accommodation. Whereas "Mansur had been a mover of money and power[,] Bates was a mover of ideas."[74]

The change in leadership from Mansur to Bates illustrates how individual personality affects the goals and the objectives of institutions. It demonstrates the degree to which people can shape and motivate with varying success institutional structures within broad public policy constraints. Bates brought with him a creative, highly articulate intellect and a deep, abiding commitment to social change. A product of his Scottish heritage, he witnessed in his hometown of Glasgow the destructive influence of poor housing on families and individuals. Humphrey Carver observed that

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[74] Compassionate Landscape, p. 134.

> Bates knew very well that the main thing about housing was that some people had it good and some people had it bad... Mansur had no personal experience or perception of that kind at all. He didn't have any sense about the environment of human life and how you would want to use the opportunities of the Housing Act to see that there was reasonably fair distribution of the opportunities to life on earth. But Bates having grown up in one of the most dirty and horrible cities and then having gone as a young man, a scholar, to the United States, had a very clear picture of the enormous effects of how some people live in the dirty end of the city, and some people live in the rich end. It was part of his philosophy, and that was the subject he came to CMHC to deal with. He came with a very clear view that some human beings have it good and some have it bad, and asked himself what he was going to do about it, now that he was President of CMHC.[75]

Carver also asserted that in "a certain period, there is an opportunity to make an impact... I lived through a period when I would say that people [including Bates] could make an impact."[76]

An academic from Glasgow and Harvard, Bates took an abstract approach to housing. Grasping that the precedents for state intervention in shelter lay in the nineteenth century, he accepted the legitimacy of government action in matters of social concern. "His mission was to set CMHC upon the search for a social philosophy in its objectives."[77] As an idealist, Bates had a strong commitment to public service initiative. According to Carver, he was "a bit of a revolutionary" and "a radical:"

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[75] Carver to Oberlander, 28 November 1987.

[76] Ibid.

[77] Compassionate Landscape, p. 135.

> ... an absolutely fascinating person who was willing to take a deep plunge into something which, within the context of Canada of its day, he really couldn't win, but he was willing to try, beating his head against immovable objects which eventually would be his doom.[78]

Thus, Bates turned out to be "exactly the right person to broaden the horizon of a rather narrow view that Howe and the government had, that housing was just a case of splitting up the land into little lots and building houses on it."[79]

Learning quickly about housing needs in Canada, Bates began making provocative speeches within six months of becoming president. While his speeches incorporated notes and ideas by advisers like Humphrey Carver, Jack Hodgson, and Bob Adamson, they reflected his own perspective and his commitment to the social thrust of public administration. In November 1955, Bates addressed the annual meeting of the Town Planning Institute of Canada. The speech entitled "The Need for an Ideal," reflected his essential humanity, his full belief in the city as a major city-building instrument.[80] He exhorted his listeners to raise their standards and their sights about environmental quality with the expectation of leaving behind something of real substance.

From the very beginning, Bates engaged the talents of many CMHC senior staff. In 1955, he created the Advisory Group to bring together the innovative, speculative minds of Jack Hodgson, Humphrey Carver, Alan Armstrong, Sam Gitterman, Stan Pickett, Tom Pickersgill, and Fred Coll. Each individual contributed to the mushrooming discussion. The result was a provocative paper about CMHC and its "publics," which contemplated the corporation's activities in improving cities and housing design and, above all, in raising social standards of life in communities from coast to coast."[81] Bates' administration represented a euphoric moment in CMHC's life. Carver remembers it as "yeasty, preposterous, and marvellous; a time to be proud to be alive in trying to use public policy to achieve social ends."[82]

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[78] Carver to Oberlander, 28 November 1987.

[79] Ibid.

[80] Stewart Bates, "The Need for an Ideal," in Housing a Nation, pp. 22-33.

This Advisory Group discussion led directly to a major review of residential design undertaken by the Royal Architectural Institute of Canada and financed by CMHC. Peter Dobush, a Montreal architect, chaired the RAIC enquiry, and Alan Armstrong seconded from the Corporation, acted as secretary. The committee produced an important report challenging architects to regard housing as architecture with the purpose of enhancing its design and construction.[83]

The most extravagant idea attributable to Bates and his willingness to reach for the stars was his conception for Montreal's world exposition. In the early 1960s, he developed a remarkable idea to build a new city displaying the work of Canada's best designers. This utopian spectacle would combine public and private initiative in a unique location along the St. Lawrence Seaway, halfway between Montreal and Toronto in the Canadian urban, industrial heartland. It would use the great economic and financial investments for Expo '67 as a seed for a major new settlement. The end result was very close to Bates' idea. Although located in Montreal, Expo embraced the seaway and symbolized Canadian design and ingenuity.

The most devastating element in Bates' tenure was his increasingly difficult relationship with Robert Winters, the Minister responsible for CMHC. As it grew more bitter, the relationship prevented Bates from advancing the cause of housing and the case for a creative federal government role. Towards the end of his tenure, the energetic new vice-president, Herb Hignett, largely ran CMHC. He became president when Bates died in 1963.

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[81] Compassionate Landscape, p. 147. For more on the Advisory Group, see Humphrey Carver, "The Expanding Imagination," in Housing a Nation, pp. 37-46.

[82] Carver to Oberlander, 28 November 1987.

[83] Compassionate Landscape, p. 159.

9.2 Research, Development and Education: The Continuing Legacy of Part V of the NHA

The 1944 National Housing Act Part V introduced a highly innovative program in housing and community planning research, development and education. Complaints that the new NHA was "a pretty unromantic document with which to greet the returning warrior heroes expecting to make their homes in a new kind of world" led Deputy Minister W.C. Clark to touch up the legislation with Part V, just "two short pages to challenge the imagination," while spending a summer weekend in the Gatineau.[84] Part V has withstood the test of time with few alterations over 45 years. It has also provided opportunities for guiding, cajoling, and anticipating the intellectual and the professional needs for housing and planning in Canada. Humphrey Carver chaired the Advisory Group administering Part V between 1948 and 1967.

Part V translated the Curtis Report's recommendations for research and development into crisp legislation. It encouraged studies of housing conditions and construction as well as inquiries into land utilization and community planning promoting the establishment of local planning agencies. It furnished opportunities for construction and building material research. In addition, it placed substantial emphasis on publishing and distributing investigative results and on supporting academic programs in housing and planning.

The most far-reaching section of Part V provided for "promoting training in the construction or designing of houses, in land planning, or community planning or in the management or operation of housing projects." CMHC helped to finance, initiate, and sustain professional planning schools and programs across Canada. McGill University was the first recipient of CMHC's financial support. In 1948, Professor Harold Spence-Sales set up a professional training program within the School of Architecture. The University of British Columbia also received assistance. It established a two-year Master's program within the Faculty of Graduate Studies and graduated its first students in 1953. The University of Manitoba and the University of Toronto followed. Eventually, a network of eight professional schools linked to another half dozen academic programs offered planning education and research opportunities in nearly every province of Canada.

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[84] Ibid., p.104.

9.3 The Design Challenge of the 1950s

The 1944 NHA and its subsequent amendments regarded housing almost entirely in economic terms. It benefited Canada's middle-income families for whom ownership of a suburban house with ready access to tree-shaded schools, shops, and other convenient community facilities was a realistic goal. The period of David Mansur's presidency achieved a remarkable quantitative result. Bates' era presented the opportunity for a shift in focus towards quality in housing design and community building favouring the wide spectrum of Canadian society.

The new emphasis upon quality brought Ian Maclennan to CMHC in 1955 as chief architect. Highly recommended by Professor Eric Arthur of the University of Toronto, Maclennan gained professional experience in New York and Venezuela before returning to Toronto. At CMHC he gathered around himself a team of talented young architects and designers that was reputably one of the best in North America.[85] The architectural staff worked closely with Carver's Advisory Group in directing the Corporation from quantity to quality in housing concerns. At this time, CMHC also recruited vigorously in the United Kingdom. Young, enthusiastic professionals came to work initially for the Corporation and then took up new positions in provincial and municipal governments across the country. Traditionally, architects and planners in Canada had taken up private practices with a wide range of public and private clients. However, the young British professionals brought with them a sense of public service and a commitment towards housing work. Many recruits left the London County Council for positions with CMHC. Others had worked at the New Towns Corporation, which provided to Canadian professionals models in design standards for homes and suburbs. The British garden suburb and new town tradition became the precedent for design and site planning in large-scale housing projects. Specific efforts by CMHC's Advisory Group to improve design included its establishment in 1956 of the Canadian Housing Design Council and its support for the Community Planning Association of Canada. Alan Armstrong of CMHC's advisory group acted as CPAC's first Executive Director. As well, Advisory Group members like Fred Coll and Stan Pickett invited the full participation of provincial and municipal officials in handling the environmental ramifications of post-war suburban expansion and urban renewal initiatives.

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[85] Ibid., p. 141. See also Ian Maclennan, "Working with a Purpose," in Housing a Nation, pp. 49-56.

9.4 Conditions Prior to the 1954 NHA

In the early 1950s, despite legislative changes and growing efficiency in operations, Opposition voices in Parliament continually complained about persistent housing shortages. As one Member of Parliament noted, "after seven years of peace, Canada's housing backlog, instead of improving is becoming greater."[86] Another Member estimated a shortage of 450,000 units in Ontario and 700,000 units across the country.[87] The demand originated in the extended curtailment of consumer spending during the depression and the war and in post-war expansionary demographic factors like the "baby boom," the high family formation rate, and the influx of European immigrants.[88] Moreover, in the 1950s, the post-war expansion of the economy lost momentum.

Debate in the House of Commons blamed financing conditions for a slowdown in building activity in which starts for 1951 ran 25% lower than those in 1950.[89] The need to make a downpayment of between 20% and

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[86] Hansard, 1952, vol. 1, p. 418.

[87] Hansard, 1952, vol. 2, p. 1873.

[88] For Canada's post-war economic performance, see Economic Council of Canada, Annual Review 1 (1964): 8-30; and also Hansard, 1952, vol. 2, p. 1874.

[89] Ibid., vol. 1, p. 418.

25% of the dwelling's value representing some $3,000 in contemporary figures defined the problem for many observers. Only 30% of Canadians could afford to buy a home in those circumstances.[90] Mansur himself attributed a 24% drop in starts in 1952 to a shortage of mortgage funds and to downpayment requirements in addition to scarcities of serviced land and to increased levels of municipal taxation.[91] As well, the National House Builders' Association president asserted that "production could be 125,000 units a year instead of 75,000 as in 1952, if new sources of mortgage money could be tapped to finance home building."[92] He recommended allowing banks to become lenders under the NHA, reducing downpayments to 10%, and increasing amortization periods to 25 or 30 years.

Opposition Members of Parliament, especially those in the CCF, noted that the purchase of a home required high annual earnings. As one member stated, today "Central Mortgage and Housing Corporation is serving only the upper third income group."[93] The Opposition argued for some relationship between prices, rents, and earnings in order to accommodate the ill-housed. The CCF's Stanley Knowles called for an improvement in the NHA Section 35 to expand the construction of low-rental housing.[94]

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[90] Ibid., vol. 2, p. 1841.

[91] Ibid., p. 1874.

[92] Hansard, 1953-1954, vol. 1, p. 1001.

[93] Ibid., 1952, vol. 2, p. 1841.

[94] Ibid., p. 1881.

9.5 The 1954 National Housing Act

In this atmosphere of growing concern for increased house production and of widespread support for public action, Ottawa brought down a new National Housing Act that came into force in March 1954. According to Robert Winters, the Act's intent was to build more houses each year. It introduced a system of insured mortgage loans to replace the joint lending method of earlier legislation: an approved lending institution provided the whole loan while the federal government insured it against loss.[95] The new Act increased the flow of mortgage funds by broadening the numbers of approved lenders and by reducing downpayments. It empowered chartered banks to enter the housing mortgage market. As well, it reaffirmed many of the 1944 NHA's provisions, including those for federal-provincial co-operation in public housing.

Under the mortgage loan provisions, borrowers paid single insurance fees when they took out loans. The fees, which amounted to 1 3/4 - 2% of the loan on owner-occupied dwellings and 2 1/4 - 2 1/2% on rental housing or home conversion projects, went into a mortgage reserve fund upon which approved lenders could make claims once they acquired clear title to a foreclosed property. Mortgagees received 98% of the owed principal as well as an allowance for defaulted interest and settlement costs.

Banks entered the mortgage field with enthusiasm. In 1955, new housing absorbed 33.8% more loans than in 1954.[96] "The banks ... were responsible for $167.6 million of the total increase of $214.9 million in institutional loan commitments for new house building." Between 1954 and 1956, banks supplied more than half of the investment in NHA units.[97]

Still, various critics argued that CMHC overlooked the housing needs of Canadians of modest means. The involvement of banks in providing mortgages merely reflected government's desire to withdraw from joint lending programs for private homes. By and large, only those able to afford mortgage payments obtained suitable financing. Moreover, residents in the north and in small communities encountered problems in obtaining loans to build or to purchase a home.

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[95] Canada, Laws, Statutes, etc., National Housing Act, 1954, 2-3 Eliz. 2, ch. 23; and CMHC, Annual Report, 1954, pp. 11-13.

[96] CMHC, Annual Report, 1955, p. 3.

[97] CMHC, Annual Report, 1956, p. 10.

The 1954 NHA made only minor adjustments to national low-rental programs. Part VI incorporated the 1949 amendment for federal-provincial public housing projects. Under Part III, Ottawa assisted municipalities in purchasing and clearing slum areas for new residential construction by a limited dividend company. Part II authorized federal loans for up to 50 years to limited dividend companies building accommodation for households of low or fixed income or of particular occupational groups. The Act restricted profits accumulated by companies on these rental complexes.[98]

Between 1954 and 1956, little use was made of redevelopment opportunities with one or two exceptions. In the late 1940s the City of Toronto had undertaken the redevelopment of Regent Park North as a slum clearance project with its own financial resources. One of the first grants under the 1954 NHA enabled Toronto to continue its low-rent housing program. In 1955, it acquired 26.53 acres for Regent Park South and made available the cleared land for the construction of a 730-unit subsidized rental housing project under the federal-provincial partnership. In addition, Ottawa provided a grant of some $15,000 to St. John's to acquire and clear a 5-acre site for a 46-unit complex.

CMHC's role in research and development became increasingly important as time passed. In 1955, the Corporation established a Development Division at its Ottawa headquarters to analyze and advise on house design, construction techniques, building methods and materials, community planning, and the use of urban land. In response to Stewart Bates' demands for reliable information the Division also assumed responsibility for social, economic, and statistical research.

CMHC also assisted other government departments with subdivision design and housing. For example, it helped the Department of Transport to develop a townsite adjacent to Gander Airport and built some rental housing for federal employees.[99] It also constructed tens of thousands of dwellings for the Department of National Defence from the Atlantic Provinces to Vancouver Island. Furthermore, in early 1958, CMHC still owned and managed some 13,690 units erected under post-war construction programs or for government departments.[100]

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[98] CMHC, Annual Report, 1954, pp. 19, 24-26.

A 1956 amendment to the NHA extended federal aid to municipalities undertaking urban redevelopment. It provided that cleared slum areas could be used for purposes other than housing and permitted the federal government to share equally with a municipality in assembling and disposing of redevelopment sites.[101] As intended, the amendment attracted wide attention and caused business and civic leaders to become "conscious of the immense potentialities of the National Housing Act in their building and renewal of cities."[102]

9.6 Changing Patterns

General elections in 1957 and 1958 resulted in a Conservative government with John Diefenbaker as Prime Minister. The ideological shift from Liberal to Conservative housing policies was marginal. The new government turned its attention to two old problems, the shortage of mortgage funding during a recession and the need for more low cost housing. Under great pressure from the housing industry, it directed CMHC to begin direct lending and to furnish loans for small homes in major and outlying urban areas. Lending institutions acted as agents in approving the loans. CMHC became a major lender in the mortgage industry: in 1957, it provided 47.2% of funds under NHA compared to 4.8% in 1956 and 2.7% in 1955.[103]

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[99] Ibid., p. 31.

[100] CMHC, Annual Report, 1958, p. 21. The Corporation continued to sell off housing units built under post-war programs: it sold about 1,600 houses in 1957.

[101] Canada, Laws, Statues, etc., Act to Amend the National Housing Act, 1956, 4-5 Eliz. 2, ch. 9.

[102] CMHC, Annual Report, 1957, P. 11.

A noticeable increase in urban renewal occurred in 1957. Halifax, Saint John, Winnipeg, and Vancouver completed studies, and CMHC made new grants for studies in Hamilton, Sarnia, Trail, and Regina. By 1958, nine more communities had applied for and received grants for studies and active redevelopment was underway in blighted areas in St. John's, Halifax, Montreal, and Toronto. In addition the federal government approved the building of several public housing projects in Ontario, and construction began or continued on four others scattered across the country.[104]

Still, by 1961, critics like Albert Rose questioned whether any real impetus to public housing came from the 1949 and 1956 amendments. Despite fifteen years of active lobbying of local, provincial, and federal officials, businessmen, and service organizations, the federal-provincial public housing program had produced only 10,000 to 12,000 dwelling units. It "was clear to all interested parties that the federal-provincial partnership had collapsed."[105]

In 1960, an amendment to the NHA added two new sections to Part VI. One section made possible federal loans for municipal sewage treatment projects covering up to two-thirds of the cost. To 1967, 847 municipalities undertook 1,256 projects with assistance amounting to $234.6 million.[106] A second section provided loans to help Canadian universities in the construction of accommodation for resident students comprising up to 90% of the project cost. By 1967, the program approved 176 loans worth $220 million sheltering over 38,000 single students and about 2,000 married students and their families.[107]

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[103] Ibid.; and Compassionate Landscape, p. 143.

[104] CMHC, Annual Report, 1957, pp. 18-19, and 1958, pp. 18-20.

[105] Canadian Housing Policies (1935-1980), p. 37.

[106] CMHC, Annual Report, 1967, p. 16.

9.7 A Pivotal Change: The 1964 NHA Amendments

The 18 June 1964 amendments to the 1954 NHA represented a turning point in Canadian housing policy and in its administration. They were the first housing initiative of the Liberal government of Prime Minister Lester Pearson. The Minister responsible for CMHC, John Nicholson, Member of Parliament for Vancouver Centre, brought with him a serious concern for housing limited by his view that provincial jurisdiction over the field circumscribed the federal government's role.

According to Albert Rose, the 1964 amendments, "virtually re-wrote most of the social housing provisions of the National Housing Act."[108] They afforded the most substantial support to urban renewal in the history of Canadian housing legislation. In addition, use of the term urban renewal denoted a shift in perspective in which rehabilitation became as significant as redevelopment. The amendments authorized CMHC to give greater assistance to provinces and municipalities for redevelopment and rehabilitation according to official plans. The Corporation could contribute funds towards the studies, plans, and implementation costs for urban renewal schemes. An amendment removed the restriction on federal assistance only for areas with housing content before or after demolition.

Furthermore, the 1964 amendments extended aid for federal-provincial public housing projects. CMHC received authorization to continue paying 75% of capital costs and operating losses, to allow hostel or dormitory construction, and to permit the purchase and the rehabilitation of dwellings in any area. As well, the Corporation could provide 90% loans to provinces, municipalities, or their agencies for public housing schemes and their land acquisition and servicing programs, and it could make up 50% of operating losses on such schemes. A new section in the NHA furnished 90% loans to non-profit companies for low-income housing projects, including hostels and dormitories.

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[107] Ibid.

[108] Canadian Housing Policies (1935-1980), p. 38; Canada, Laws, Statutes, etc., Act to Amend the National Housing Act, 1964, 13 Eliz. 2, ch. 15; and CMHC, Annual Report, 1964, p. 28.

Significantly, provinces and municipalities could now enter the low-rental field independently of Ottawa while still benefiting from federal financial aid. June 1964 "proved to be a turning point in Canadian housing history."[109] Thereafter, questions of slum clearance, relocation, and decent low-rental housing rested "squarely in the laps of the provincial governments."

The reaction to the amendments was almost immediate. In 1964, CMHC's series of public symposia held across the country to explain the changes resulted in "an enthusiastic response."[110] By comparison to 54 urban renewal studies undertaken between 1955 and 1964, twenty-one municipalities prepared studies in 1965 alone. Twenty municipalities received federal contributions to prepare 26 urban renewal schemes, and seven obtained assistance to proceed with implementation. "More urban renewal study contributions were approved during 1965 than in any year since the original legislation was enacted." The trend continued through the next two years. In 1966, federal grants went to 61 municipalities for renewed studies, to 21 others for 24 plans, and to nine more for project implementation.[111] In the following year, 38 municipalities had financial assistance for studies, 34 for the preparation of 35 schemes, and six for implementation.[112]

In the private residential situation by 1967, new starts declined as housing needs showed a marked increase; by contrast, provision of accommodation for the poor and the elderly and for students, as well as the initiation of urban renewal programs, grew significantly.[113] The chartered banks played a lesser role in mortgage lending due to fixed interest rates of a maximum 6%. Finally, an amendment to the Bank Act in 1967 made mortgage lending attractive again. As well, the federal government freed the NHA interest rate to stimulate lending by the chartered banks. Total private loans financed under the Act jumped 67.5% over the 1966 figure.

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[109] Canadian Housing Policies (1935-1980), pp. 40-41.

[110] CMHC, Annual Report, 1965, pp. 6, 12.

[111] CMHC, Annual Report, 1966, pp. 18-20.

[112] CMHC, Annual Report, 1967, pp. 16-20.

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[113] Ibid., pp. 4-6, 12-14.

10. Continuity and Anticipated Change

In September, 1967, the Economic Council's Annual Review included a report entitled "The Challenge of Rapid Urban Growth."[114] The study was the first substantive analysis since the Curtis Report dealing with urbanization in the context of major industrial and institutional changes. It raised public awareness of the changing character of Canada and of government initiatives to ensure social and economic progress. For the first time, a source other than CMHC provided the federal government with analytical information and objective advice intended to heighten its awareness of the need for public action.

On 11 and 12 December 1967, Ottawa convened the first major federal-provincial conference on urban affairs. It presented to the provinces a co-ordinated and complementary program which would bring them into a Canada-wide initiative to deal with rapid suburbanization, uneven regional development, and public funding of low- and middle-income housing.[115]

Extensive briefing notes prepared by CMHC's Advisory Group, reflecting extensive analysis and interdepartmental consultation amongst concerned federal departments, laid the basis for informal discussion. Jack Hodgson, originally the Director of Development under Stewart Bates and a major force on the Prime Minister's staff, co-ordinated the government's initiative. While he led off the conference with great flair, Prime Minister Pearson's manner of conducting debate generated confusion and brought the meeting to an inconclusive end. Not unexpectedly, public perception characterized the conference as a failure.

The federal-provincial conference on urban affairs foreshadowed events of the next year. On 20 April 1968 Pearson decided to retire. Pierre

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[114] Economic Council of Canada, Annual Review 4 (1967): 173-225.

[115] Compassionate Landscape, p. 180.

Elliott Trudeau became the new leader of the Liberal Party and succeeded Pearson as Prime Minister. By July 1968, the new minister responsible for housing, Paul Hellyer, had established a Task Force on Housing and Urban Development. Leading academic and professional experts from across the country contributed submissions to the task force. A report published in January 1969, was crucial in the perception of housing and urban problems in Canada.[116]

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[116] Canada, Federal Task Force on Housing and Urban Development, Report (Ottawa: Queen's Printer, 1969), and Compassionate Landscape, pp. 184-87.

Part III

Responding to Turbulent Times:

Canada's Housing Policy in the 1970s and Early 1980s

11. The Context: Turbulent Times

By the end of the 1960s, after more than twenty years of housing legislation and many new housing programs, Canada had gone a long way toward achieving its housing goal set at the end of World War II. Canadians were increasingly well housed in terms of greater access to home ownership, especially in suburban settings, to a rising supply of household equipment, and to adequate floor space for the average family. This was made possible partly by the emerging political will of the federal government to use its "power of the purse" for social purposes and partly by the active role played by several provinces, particularly Ontario and Quebec. Having just completed its first two decades of operation, Canada Mortgage and Housing Corporation proved to be an effective, administratively flexible agency for implementing federal policies.

Between the late 1960s and the mid-1980s, housing policies and programs can be viewed as strategic responses to turbulent economic, social and political events. Significant changes occurred in three major areas affecting these policies and programs: the macro-economic condition; the urban social and political environment; and the institutions and relationship of government. These changes had a dramatic impact on the nation's housing stock and markets and influenced the direction of housing policy.

As its population grew in size and as household composition altered during the 1960s, Canada exhibited many of the growing pains characteristic of maturation. Its increasing urbanization produced unprecedented dynamic, vibrant conditions. By the mid-1970s, whether they resided in downtown Toronto, in suburban Montreal, in a remote farm homestead in the west, or in the Northwest Territories, Canadian families lived by the city. In 1976, three-quarters of the population was urban. This represented a change in lifestyle for the majority of Canadians as well as a marked shift in the spatial distribution of the population. Urbanization resulted in a structural transformation whereby Canadians became increasingly dependent upon the city for social, economic, and cultural growth.

11.1 Economic Turbulence

Canada is particularly vulnerable to major structural changes in the world economy. From 1973 to 1984, the country experienced three serious economic recessions accompanied by policies of monetary and fiscal restraint. New, unfamiliar economic conditions, including the combined effects of a major energy crisis, inflation, recession, and fluctuating interest rates precipitated a series of new housing programs. Most of the latter were temporary measures designed to ameliorate immediate, usually unanticipated conditions. Relative stability for policy-making did not return until the mid-1980s. These tumultuous times can be divided into three distinct periods: 1973 to 1978; 1978 to 1981; and 1982 to 1984.

The years immediately following 1973 were extremely volatile owing to unfavourable macro-economic conditions, rapidly rising housing costs, and growing private rental supply problems. Pressure for public intervention was great. Wage controls, deductions in public expenditures, changes in unemployment insurance, cutbacks in health care, expansion of the prison system, promotion of private sector housing, and stimulation of tax expenditures represented ways of righting the previous decade's imbalances. Housing was singled out as a cause for concern.

A dramatic expansion in housing subsidies occurred between 1973 and 1978 as the federal government responded to economic and political pressures caused by rapidly increasing housing costs and sharply falling housing starts. At the beginning of the 1973 recession, housing starts for both owners and renters dropped dramatically and did not rise until 1975 when several programs aimed at stimulating housing investment came on-stream. Job maintenance and job creation became important issues when the unemployment rate began to climb in 1974 and continued to advance until levelling off in 1978. In response to the rising inflation rate, Ottawa introduced wage and price controls in 1975. With a growing federal deficit and with an increasing realization that the slump was not a temporary aberration, policy-makers abandoned stimulative policies and initiated restraint, or at least the appearance of restraint.

The second distinct phase of economic turbulence extended from 1978 to 1981. The federal government brought in a variety of restraint measures to curb the growing deficit. Housing measures of this period conformed with the conservative fiscal approach to government programs that emerged under the Liberal government and continued with its Conservative successor. They reduced growth in the size of direct expenditures and increased reliance on the private sector wherever possible. Thus, a conservative political agenda, combined with unstable macroeconomic conditions, had great impact on the housing policy-making process within CMHC.

However, restraint measures did not redress either the decline in housing supply or the dramatic increases in existing stock prices. By the early 1980s, the government once again encountered enormous pressure to generate new subsidy programs. When mortgage interest rates soared abruptly from 11% in 1979 to a peak of 21% in August 1981, they exacerbated already serious housing problems related to very low vacancy rates, scarcities in unsubsidized private rental construction, and high costs in single family housing.

The third phase of economic turmoil occurred between the early and mid-1980s. A serious housing crisis resulted from the addition of extremely high mortgage interest rates to a troubled housing sector. As well as the low vacancy rates, the lack of unsubsidized private rental construction, and the high cost of single-family accommodation, many home owners faced foreclosure at mortgage renewal time. During the previous eight years, all the ownership subsidy programs induced moderate-income tenants to become home owners. Unfortunately, many of those five-year mortgages came due as interest rates peaked. Home owners frequently could not afford the new, much higher, monthly cost of their mortgage. The mortgage situation became a political crisis for the Trudeau government at a time when the Liberals were already unpopular, and, in a period of supposed fiscal restraint, Ottawa went on a spending spree in order to create jobs.

11.2 Urban Turbulence

A. The Settlement System In Transition.

In slightly more than 100 years, an essentially rural society based on an agrarian economy transformed itself into an urban society with an industrial, resource-based economy. By the 1970s, cities and metropolitan areas housed three-quarters of Canada's population and constituted a dynamic, interdependent, highly interactive system. It is increasingly evident that not only are the majority of Canadians urban dwellers but that all Canadians depend on the urban system for economic and social growth.

Systematic attempts to understand and to explain Canada's process of urbanization began to receive national policy attention during the late 1960s and early 1970s. Academic researchers, public officials, planners, and federal ministries, drew on a number of common but often mistaken assumptions about urbanization trends and future urban prospects. They predicted that increased rapid urban (and population) growth would continue until the turn of the century and that the biggest urban problem facing the nation was the accelerating expansion of the largest cities and metropolitan areas, particularly Toronto, Montreal and Vancouver. They expected smaller urban centres, particularly in the Atlantic region, Quebec, and the Prairies, to experience a relative decline and rural areas to become virtually depopulated.

The Science Council's 1975 report, *Perceptions 1, Growth and Urban Problems*, reviewed the evolution of the urban settlement system and supplied a range of statistical forecasts on the assumption of an unconstrained urban future.[117] Under these circumstances, Canada would become a country of three mega-cities -- Montreal, Toronto, and Vancouver -- with the remaining urban system essentially remaining at current population and economic activity levels. As one analyst recently noted,

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117. Science Council of Canada, Perceptions 1: Population Growth and Urban Problems (Ottawa: The Council, 1975).

> The image of rapid growth in the major urban centres was widely accepted in the late 1960s and early 1970s. Indeed, what came to be described as the "crisis" of urban growth, became the basis for a range of political and policy responses or at least proposals for action. For example, the Canadian urban studies literature from this period is full of proposals for limiting the growth of the three national metropolises and deconcentrating the growth into new towns, satellite cities, and growth pole centres.[118]

However, the 1976 and subsequent Census data did not bear out the forecasts of extreme urban concentration, although, as Robinson suggests, much of the conventional wisdom was retained:

> Analysis of the 1976 Census data reveals that some significant changes have been taking place recently in the spatial pattern of urbanization and the rates of growth in urban areas -- changes that most public officials, statisticians, and planners did not anticipate, were not aware of, and in some cases even ignored when the facts were known.[119]

Contrary to predictions, many major urban centres across the country in fact grew at a much slower rate beginning in the mid-1960s and continuing into the 1970s. In comparison, small- and medium-sized cities and towns, as well as a large number of rural non-farm areas, experienced considerable growth.

The slower rate of population expansion was linked to a variety of demographic trends evident in most western industrialised countries. Fertility rates declined sharply. By 1974, the fertility rate had dropped below the normal replacement rate to 1.88 children. In addition, net foreign immigration declined during the late 1960s but fell sharply after 1974. While cyclical immigration peak periods occurred in 1957, 1967, and 1974, high levels of unemployment and more stringent immigration regulations significantly reduced the influx of new Canadians.

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[118] I.M. Robinson, Canadian Urban Growth Trends: Implications for a National Settlement Policy, Human Settlements Issues, no.5 (Vancouver: Centre for Human Settlements, University of British Columbia, 1981), p.5.

[119] Ibid., p.8.

These broad trends mask important changes in the composition and the size of households across the country:

> ...high volumes of immigration, an unprecedented baby boom that lasted into the early 1960s, and substantial improvements in longevity...[had] several important effects on household formation. In the 1950s, improved longevity and substantial immigration directly spurred the new formation of households. In the 1960s, the children of the baby boom began to reach adulthood and to form their own households. Accompanying this growth was a substantial shift in composition. With the continuing improvements in longevity, there were considerable more elderly people (especially widows). There were also a lot more younger singles, partly the result of the baby boom, and partly because of a sharply rising incidence of divorce and a downturn (in the 1970s) in the marriage rate.[120]

B. Changing Trends in Household Formation.

The population of the country more than doubled in the post-war period while the number of households and the number of dwelling units required more than tripled. One of the more significant social and cultural trends is the decrease in average household size from 4.5 persons per household in 1941 to 2.7 in 1986. This reduction in household size coupled with the overall population growth is the major factor in the high demand for housing in post-war Canada.[121]

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[120] Housing in Canada, 1945 to 1986.

[121] For more information, see, Miron's Housing in Postwar Canada; and Canada, Statistics Canada, Canadian Households and Families: Recent Demographic Trends, by S.T. Wargon, Census Analytical Study, Catalogue 99-753 (Ottawa: Statistics Canada, 1979).

A surge in the number of new households developed between 1971 and 1976. Private households increased by 1.1 million (about 18%), while the total population grew by around 1.4 million people (6.6%). In other words, during these five years, one new household emerged for every 1.3 persons added to the population. At the same time, the average family size and the average household size declined. Perhaps the most important trend was toward non-family households, the percentage of which rose to 21% in 1976 from 18% in 1971. The result was an enormous increment in the number of persons living alone and in the number of unrelated individuals residing together. This demographic shift originated in the large cohort of young adults born during the post-war baby boom who were passing through the prime child-bearing and household-forming ages during the early 1970s. In addition, the decrease in average household size and the increase in non-family households were the consequence of higher standards of living, changing age structure, shifts in values and lifestyles, and different attitudes towards marriage, child-rearing and working women.[122]

These demographic changes had a significant impact on both the housing markets and the direction of housing policy. The overall increase in demand affected markets. More shelter was required to accommodate the growing population. Also, the trend towards smaller household sizes created an additional demand. Real impetus for basic alterations in policy came from two sources. First, the rapid urbanization of Canada and the growing proportion of tenants in the post-war market engendered new housing constituencies with new needs. Secondly, new evidence amassed during the 1960s demonstrated that poverty was a serious problem and that more extensive social housing efforts were necessary.

C. Poverty Amid Prosperity

The "urban housing problem" emerged as an increasingly important topic of public concern in the 1960s. The concern stemmed from two related sources. The first was the failure of the building industry to satisfy the high demand for housing, despite its generally productive performance. What was perhaps more significant was the heightened problem of affordability facing both low- and middle-income Canadians. The Economic Council's Fifth Annual Review in 1968 described the situation in the following way:

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[122] Robinson, p.17.

> Poverty in Canada is real. Its numbers are not in the thousands, but the millions. There is more than our society can tolerate, more than our economy can afford, and far more than existing methods and efforts can cope with. Its persistence, at a time when the bulk of Canadians enjoy one of the highest standards of living in the world, is a disgrace.[123]

In November 1968 public concern led the Canadian Senate to establish a Special Senate Committee on Poverty. The 1971 report of the Special Committee, Poverty in Canada, opened with the following two sentences:

> Poverty is the great social issue of our time. Unless we act now, nationally, in a new and purposeful way, five million Canadians will continue to find a bleak, bitter, and never-ending struggle for survival.[124]

The report identified housing as one of the key aspects of the poverty problem. It noted that the housing difficulties of the poor became "noticeably" worse during the 1960s:

> In 1965, almost 18% of NHA borrowers were in the lowest-third income group. In 1970, this group had shrunk to just over 5 percent.[125]

The Senate's Special Committee on Poverty made four recommendations relating to housing:

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[123] Economics Council of Canada, Annual Review 5 (1968):111.

[124] Canada, Special Senate Committee on Poverty, Poverty in Canada: Report of the Special Senate Committee on Poverty (Ottawa: Information Canada, 1971), xiii.

[125] Ibid.,p.135.

1. that, in areas of urban renewal, the persons affected be allowed to participate in decisions as to how the area is to be "renewed". This could be effected by the setting up of neighbourhood committees. Such citizen participation would help assure the comprehensiveness of the contemplated renewal -- the inclusion of planning for social services, health services, education services, library, recreational and other services.

2. that the Minister of State for Urban Affairs take the initiative with provincial authorities to establish effective methods of ensuring that the benefits provided to the poor through the recommended G.A.I. (Guaranteed Annual Income) are not absorbed by increased housing rents and costs. Cases were brought to the Committee's attention in which rent increases were made to coincide with Social Security benefit increases.

3. that further to protect low-income families in receipt of the G.A.I. from unscrupulous landlords the Federal Government, alone or in conjunction with provincial and/or municipal authorities, set up a fund for the purchase of houses which may be old but are still structurally sound, make them habitable, and rent them at cost or at subsidized rates to such families.

4. that public housing programs be enlarged and expanded. They are obviously not ideal, but no better solution has been found to the housing problems of the poor.[126]

The Special Senate supported the 1968 Canadian Conference on Housing resolution which declared that "All Canadians have the right to be adequately housed whether they can afford it or not." Nevertheless, the Committee noted that

> That right is still an illusion across the country. Witnesses described to members of the Special Senate Committee the kind of living conditions which can only reinforce poverty.

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[126] Ibid., pp.138-39.

> The undeniable fact persists: a substantial number of Canadian families must exist from day to day without benefit of any of the comforts traditionally associated with home -- including protection from the elements, privacy, and adequate sanitary facilities.[127]

Although the rate of poverty decreased substantially during the 1960s and the 1970s, a significant proportion of the population continued to experience serious financial difficulties.[128] The low-income population grew steadily throughout the 1970s, hitting three groups particularly hard: young families (heads under 25); young, unattached individuals; and female-headed families (mostly single parents).

Periodic shortages of mortgage funds, mounting land and construction costs, and soaring interest rates combined to raise the price of both new and existing housing and to produce a shortage of accommodation, particularly rental units. With the extension of the housing problem to middle-income groups, shelter became a national political issue in marked contrast to the public indifference of preceding years. During a 1969 House of Commons debate on housing policy, Robert Andras, speaking for the Liberal Government, made special note of the relationship between poverty and housing problems:

> The articulation of discontent stems from the whole spectrum of housing conditions and aspirations representing all income levels. Some of this articulation of discontent is valid, and some is not. It has reached a decibel level which is described by some as a housing crisis. The housing problem is something different. That is rooted in the actual deprivation of people at the lower level of the

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127. Ibid, p. 133.

128. A.L. Fallick, "Homelessness and the Homeless in Canada: A Geographic Perspective" (Ph.D. dissertation, University of British Columbia, 1988).

> spectrum and can only be solved by the provision of decent accommodation for them.[129]

As a solution, Andras called for both market and non-market initiatives, emphasizing the need to augment direct housing assistance for low- and moderate-income households:

> We must, therefore, not only improve the operation of private markets in order to accelerate the total output of housing but we must also stimulate the provision of modest accommodation for low income people, augmenting the process if necessary with what may be regarded as non-market devices in order to get a higher yield of new units out of the nation's housing effort.
>
> The argument for government loans and subsidies for low income people does not rest solely on the issue of distributive justice. It depends also on the hard economic reality that in order to achieve the size of housing stock which is needed in this country, we must greatly increase the share of the new housing program which provides modest accommodation for people of low and modest incomes.[130]

Deteriorating economic conditions and rising unemployment during the 1970s aggravated the affordability problem and dampened production levels. By the mid-1970s, a housing shortage was evident, despite a large inventory of new but unaffordable, unoccupied units. For example, in 1971, over 50% of renters between the ages of 25 and 44 could afford to buy an average priced house, whereas by 1981 only 7% were able to do so.[131]

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[129] Hansard, 1969, vol.9, p.9174.

[130] Ibid., p.9175.

[131] CMHC, Consultation Paper on Housing (Ottawa: Queen's Printer, 1985), p.15.

11.3 Inter-Governmental Turbulence

A. Changing of the Guard: From Pearson to Trudeau

Changes in housing policies and their explicit links to other emerging urban issues may also be examined in relation to the unprecedented changes which took place in the federal government's structure and organization during the Trudeau administration's early years. In April 1968 Pierre Elliott Trudeau succeeded Lester B. Pearson as Prime Minister at a dramatic Liberal Party convention. A fall general election provided Trudeau with a strong majority government and confirmed his leadership. The new government soon began to show the imprint of the new leader:

> Canadians were bathing in the afterglow of Expo 67, feeling a new confidence and a new sense of possibility in the country. They were fascinated with a figure who manifested some entirely original features on the Canadian political scene: brilliance, style, irreverence, imagination and a genuine biculturalism. They gave Pierre Trudeau a landslide victory in the election of 1968. He returned to Ottawa with a quite extraordinary personal mandate and he used it in part to complete a major restructuring of central decision-making in the Government of Canada. Some of this restructuring had its roots in the previous administration; other aspects are inconceivable without the Prime Minister's personal ascendancy and the commitment by him and certain of his key advisors to a certain notion of planning. It was through Prime Minister Trudeau that the pressures on all governments to plan took their particular form within the Canadian context.[132]

Trudeau and his Cabinet favoured "rational" interventionist policies and committed themselves to "government by objective:"

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[132] Richard D. French, How Ottawa Decides: Planning and Industrial Policy-Making, 1968-1980 (Ottawa: Canadian Institute for Economic Policy, 1980), p.20.

> The foundation of the 'rational model' in the Ottawa of the seventies was the Cabinet Planning System. It featured a two-tier structure presided over by the Prime Minister, and specialized committees in broad policy areas such as Economic, Social, External Affairs and Defense... attention was given to two overriding processes: policy development and co-ordination. The first indicated a political will toward attaining a more sophisticated information and knowledge base for public policy... In the Ottawa of the early seventies "policy" was the buzz word that reverberated in the corridors of power."[133]

The reorganization of federal decision-making toward 'governing by objective' was implemented gradually as a response to the expanding role of government in the post-war years. Michael Pitfield, who guided the process under both Pearson and Trudeau, has suggested that the need to govern by objective arose from the proactive stance of governments following the Second World War and the consequential growth in their size, scope and complexity.[134]

In 1962, the Royal Commission of Government Organization initially proposed the need for a more rational method of governing.[135] Its final, five-volume report recommended changes which "would best promote efficiency, economy and improved service in the dispatch of public business." The major thrust of the Commission's recommendations urged greater delegation of responsibility to individual departments and their managers. Still, as Pitfield notes,

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133. L. Gertler, "Research Based Urban Policy," in The Ministry of State for Urban Affairs, ed. H.P. Oberlander and A.L. Fallick (Vancouver: Centre for Human Settlements, University of British Columbia, 1987), p. 109.

134. M. Pitfield, "The Origins of the Ministry of State," in Ministry of State for Urban Affairs, p.27.

135. Canada, Royal Commission on Government Organization, Final Report (Ottawa: Queen's Printer, 1979), p.4.

> The task of fitting administrative to political decision-making was left first to Mr. Pearson, and then to Mr. Trudeau. It was a job enormously complicated by the sudden and explosive growth of technology and interdependence that continue to be the hallmark of our times.[136]

For Prime Minister Trudeau, who expressed keen interest in the constitutional division of powers, decision-making reforms had to be consistent with fundamental constitutional principles. According to Richard French, one of Trudeau's most distinctive personal contributions to Canadian government consisted of the formalization of a system of standing committees of cabinet:

> The Prime Minister was anxious to use the limited time which ministers have to devote to joint decision-making as effectively as possible, to reduce the lack of co-ordination resulting from what he saw as the excessive autonomy of individual ministers in the Pearson cabinet, and to reinforce the decision-making prerogatives of ministers as opposed to the influence of permanent officials.[137]

Trudeau's Cabinet system included a total of nine major committees. As French suggests, the most critical organizational element was the Priorities and Planning Committee, since it set the overall tone and direction of government policy by choosing priorities, by initiating major policy reviews, by assigning certain responsibilities to other committees, and by considering the most pressing, politically important issues.

Administratively, the introduction of the Program Planning and Budgeting System radically altered budgeting and expenditure management. PPBS emphasized policy goals and developmental targets, as well as

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136. Pitfield, p.27.

137. French, p.3.

accountability, which the expanded responsibility and visibility of the Auditor General's office reporting directly to Parliament further reinforced.

The substantial reorganization of Canada's federal government structure reflected a trend occurring in many western democracies in the post-war period. Governments began to move far beyond the traditional concerns of defence, diplomacy, and economic infrastructure:

> They increased dramatically their involvement and expenditure in such areas as culture, social services, research, education and regulation of the marketplace. Emanations of the state came to affect the lives of more citizens in a direct and tangible way, to attract more and more of their attention, and to demand more and more of their income in the form of taxes. As organizations outside government grew and as physical problems of cities, transportation and environment accumulated, public tolerance of the disadvantages of these developments diminished, and government was expected to respond.[138]

The late 1960s and the early 1970s may be considered a watershed in the history of Canadian housing. This is due partly to the changing federal role in the economy and the reorganization of the federal policy and planning functions and partly to the more significant role played by the provinces. In spite of Ottawa's repeated efforts to stimulate their financial commitment and administrative capacities, the provinces remained minor actors in addressing shelter problems. Finally, in the late 1960s a proliferation of provincial housing corporations emerged in response to the public housing provisions of the National Housing Act.

Canada Mortgage and Housing Corporation's strategic role was particularly evident during a period in which the problems of housing and the cities gained increased national attention. According to a review of

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138. Ibid., p.18.

CMHC's first twenty five years, 1967 represented a watershed in the nation's housing policies and in the history of the Corporation itself:

> In the destinies of Canada, 1967 marks a kind of watershed. From the beginning of this ... phase of CMHC's history, housing affairs became entwined with the emerging constitutional issues between the Federal and provincial governments... Consolidating into a single agency [CMHC in 1946] the responsibilities for both the private housing market and the public action programmes was, historically, a most significant event. Had this not been done, subsequent history would have been very different.[139]

CMHC's 1967 Annual Report addressed the issue of the manner in which the Corporation should approach Canada's urban character in the future. CMHC research and scholarship funds and the Canadian Council on Urban and Regional Research, a by-product of the Corporation's support for urban research, had aided many of the studies undertaken to analyze the impact of rapid urbanization. This research helped to develop a series of proposals designed to embody new ideas and novel approaches to urban policy and housing policy. According to CMHC, the aim was

> to deal with all the implications of burgeoning cities together with the surging demand for living space, including programmes of financial support for comprehensive planning of urban regions and in the advance acquisition of land for transportation corridors and open spaces for recreation and similar community purposes; participation in land assembly and development of comprehensively planned new suburban communities within regions; housing subsidy programmes to serve as an integral part of other combined Federal and provincial anti-poverty measures in special areas characterised by general

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139. CMHC, Housing in Canada, 1946-1970: A Supplement to the 25th Annual Report (Ottawa: Queen's Printer, 1970), p.24.

> poverty, lack of employment opportunities and slow economic growth; and a more vigorous publicly-supported housing programme to assist growing families of modest means.[140]

The issues raised in the year of CMHC's twentieth anniversary were to occupy the energies and test the fortitude of its employees throughout the ensuing decade. As housing and urban renewal became prominent issues on both the political and public agendas, the Corporation's position straddling the public and the private sectors enabled it to confront the spectrum of housing needs and constitutional paradoxes:

> The opportunity to observe and evaluate the situation as a whole made it possible to perceive how both private and publicly financed actions could be brought to bear in their own appropriate ways. The critical questions of policy have largely involved choices in using public and private actions in reasonable balance and proportion and in co-ordination with one another... The axiom of Canadian housing policy... would not be conceivable in a country that did not possess the instruments for engaging with both sectors of housing action.[141]

A series of important research studies foreshadowed the major shifts in policy emphasis, administrative structure, and program implementation during the 1970s and early 1980s. The studies began with the 1967 Economic Council of Canada's Fourth Annual Review. The result was the emergence and the convergence of an increased awareness of the importance of the city and its housing stock in shaping the country's future and of a commitment by the federal government to address itself to the challenges posed by a predominantly urban Canada.

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[140] CMHC, Annual Report, 1967, p.16.

[141] Housing in Canada, 1946-1970, p.41.

12. Responding to Turbulent Times, 1968 to 1973

12.1 An Urban Agenda Emerges

Between 1968 and 1973 an intense debate over Canada's urban future took place amid a growing recognition of the need for a new political agenda focusing on urban policy and planning. Considerable optimism about the knowledge emerging from research activity and about the potential effectiveness of policy planning in addressing urban problems fuelled the debate. A great deal of discussion centred upon whether an "urban crisis" existed and, if so, what this crisis was and what could be done about it. There was widespread agreement that Canadians should recognize that they lived in an urban nation with a significant proportion of the population clustered in a few metropolitan areas.

Concern over the social and environmental impact of urban growth, especially on housing, prompted a series of conferences, reports, government-sponsored studies and task forces including a detailed review by the Economic Council of Canada in 1967, the first major national housing conference in 1968, a national task force on housing and urban development in 1969, and a major study of Canada's urban problems and prospects in 1970. These helped inform the debate and set the public agenda for policies and programs in the early 1970s.

A. The Economic Council of Canada Assesses the "Urban Problem"

The Economic Council of Canada continued its assessment of the medium-and long-term potential for the growth and the development of the Canadian economy in its 1967 Fourth Annual Review sub-titled The Canadian Economy From the 1960s to the 1970s. This analysis was based on a set of basic economic and social goals defined in the Council's terms of reference when it was established in 1964: full employment; high rate of economic growth; reasonable stability of prices; viable balance of payments; and equitable distribution of rising incomes.[142]

The Economic Council regarded Chapter 7 of its review as its "initial report on our very rapid urban growth and the large problems which are posed by this growth." It identified housing needs, transportation, pollution, recreation, planning and land use, and municipal administration and finance as problems.[143] The shelter problem at the time was a "severe housing shortage" despite high levels of new residential starts brought on by scarcity of mortgage funds, imbalance in the supply and the demand for accommodation, rising land values, general increases in wage rates and building material prices, and interest rates which had "reached the highest levels in 40 years."[144]

The Economic Council emphasized that by the 1970s Canada had achieved one of the highest rates of increase in urbanization in the post-war world:

> Despite our huge land mass, almost three-quarters of the Canadian people now live and work in cities and towns occupying less than one-hundredth of our total area. Of the urban population, in turn, a further two-thirds have come to cluster in a relatively small number of larger cities and metropolitan areas.[145]

As of the mid-1960s, Canada had the fastest rate of urban growth among the industrially advanced countries for the post-war period as a whole.[146] The report noted that, on an historic and world-wide scale, urbanization had proceeded at a steady rate for the past 100 years and showed no indication of declining. In 1800, only 22 cities in the world had populations of more than 100,000, whereas by 1900 more than 800 had. Between 1800 and 1950, the percentage of the world's population in cities of 5,000 and over more than doubled every 50 years. In the Canadian context, little evidence existed to indicate that the underlying technological, economic or social forces which produced urbanization would abate. The Economic Council's review noted that Canada's urbanization had not been achieved without cost:

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[142] Economic Council of Canada, Annual Review 4 (1967):2.

[143] Ibid., p.9.

[144] Ibid., p.23.

[145] Ibid., p.173.

[146] Ibid., p.177.

> The increased concentration of people and economic activity has given rise to acute problems for the urban community and for the country as a whole. Indeed, it is a paradox of modern economic society that, while our money incomes and our command over real goods and services have grown, opportunities to enjoy many important features of the "good life" traditionally associated with rural society are being increasingly curtailed.[147]

The Council raised concern about the "mounting deficiencies" associated with the trend toward a more urbanized nation:

> Shortages and inadequacy of urban housing, traffic and transport problems, air and water pollution, the confused jumble of conflicting land uses, decaying neighbourhoods and monotonous suburbs, urban poverty and social disturbance, steadily rising property tax burdens and the frustrations of municipal administration -- these are familiar problems to the average Canadian city dweller today.[148]

The Council concluded its review with a projection indicating that more than 80% of the total population would soon be urban dwellers and that 60% of them would be concentrated in cities with a population 100,000 or more.

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147. Ibid., p.174.

148. Ibid., p.191.

As a result, it expected the pace of urbanization in Canada to continue to be the highest among the major industrial countries of the world. Based on these projections, the Council argued that public policy should be directed toward "orderly growth and an improved environment within Canada's presently expanding urban centres."

The last paragraph of the analysis of urban growth illustrates the range of urban issues and problems which the Council raised as topics of public concern:

> Finally, it will be noted that our discussion has made only incidental reference to a broad range of social questions requiring attention in the continued growth of our large cities. Many of these are closely related to the physical character of the big city and the adequacy of its services. Obvious among them are those of poverty and low income, of poor health and family breakdown, and of crime and delinquency, all of which are so frequently associated with low levels of education, bad housing, inadequate sanitation and general urban decay. More broadly, there are in our cities growing problems of divisive social segregation and stratification, of pressures upon the individual from the hurried pace of urban living, of conflicting conformity in the comfortable suburbs, and of anonymity and lack of identification in the face of the immensity of the big city. In all these further respects, the continued rapid expansion of large centres re-emphasizes a complex of challenges if the quality of human life is to be improved.[149]

B. The Canadian Conference on Housing, 1968

Within a year of the release of the Economic Council's review, the Canadian Welfare Council convened a major conference in Toronto to discuss the country's housing problems. The conference marked the first time that delegates from three government levels, business, labour, civic,

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149. Ibid., pp. 224-25.

church, and non-profit organizations, design and planning professions, social welfare agencies, tenants, and neighbourhood associations had agreed on a set of principles and priorities which in their judgement, would serve the best interests of Canadians. According to the editor of the proceedings,

> It is significant that conference delegates should declare, in their first formally approved statement, that "all Canadians have the right to be adequately housed whether they can afford it or not." To reinforce that clear and firm declaration they stressed that housing requires much higher priority in the economy and that it should be considered as socially essential as education.[150]

A number of delegates observed that mobility requirements, cost, and land and transportation requirements associated with single-family dwellings made home ownership less viable for growing numbers of Canadian households. In his remarks to the conference, Albert Rose stated that we "can no longer expect to be known primarily as a nation of home owners: the very pace of our urban economic development makes it absurd to remain wedded to these assumptions of 1945 or 1955."[151] Rose's comments illustrate the problems which faced prospective home owners during the late 1960s, although few criticized home ownership as much as he did.

Delegates at the conference saw a need for the appointment of federal and provincial ministers of housing and urban affairs and for the responsiveness of senior government financing to differences in local need. They recommended regional administrative units to encourage comprehensive planning and development. They considered the question of land costs, and because many believed in the public ownership of urban land and the elimination of land speculation, they struggled with the question of using public funds to open up additional land for residential use. Recognizing the importance of making effective use of scarce resources, the delegates recommended effective housing incentives, including grants for

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150. The Right to Housing: Papers and Proceedings of the First Canadian Conference on Housing, ed. Michael Wheeler (Montreal: Harvest House, 1969), p.15.

151. Albert Rose, "Canadian Housing Policies," in Right to Housing, p.136.

home rehabilitation. They suggested that housing assistance should include funds for planning neighbourhoods. According to Wheeler,

> Housing is more than mere shelter, and so it was urged that public policies for housing consider the total housing environment. The human satisfactions to be derived from a dwelling depend as much on its community context (physical, social and economic) as on the dwelling itself. Therefore government policies should effectively promote better integration of physical and social planning.[152]

In the end, the delegates adopted 21 recommendations. The first four set out basic principles for contemporary housing policy-makers:

1) The Canadian Conference on Housing (1968) declares that all Canadians have the right to be adequately housed whether they can afford it or not.

2) Housing is more than shelter and must be within a context of community that includes provision of related facilities and services to make liveable the urban environment in which most Canadians will reside.

3) A wider range of housing, including private, co-operative, non-profit and public housing, and greater freedom of choice of location, design and form of tenure should be available to low as well as middle-income groups.

4) Effective exercise of choice includes participation in planning and operation by the present or anticipated users of housing. Information and consultation are legitimate public expenses as much as sidewalks and sewers.[153]

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152. Right to Housing, p.16.

153. Ibid., p.331.

C. The Federal Task Force on Housing and Urban Development, 1969

In 1969 another major report addressed the issues of housing and of the appropriate governmental structures required to deal with rapid urbanization in a federally constituted country. Prime Minister Trudeau's first Cabinet assigned the responsibility for CMHC and for housing policy generally to the Minister of Transport, Paul Hellyer. A successful house builder in Toronto, Hellyer brought a keen interest in housing, new towns, and urban renewal to his portfolio.

To meet his mandate for innovative policies and for renewed federal initiatives, Hellyer personally chaired a Task Force on Housing and Urban Development. His terms of reference were

> to examine housing and urban development in Canada, and to report on ways in which the Federal Government in company with other levels of Government and the private sector can help meet the housing needs of all Canadians, and contribute to the development of modern, vital cities.[154]

Hellyer emphasized that his study would not follow the approach of many lengthy Royal Commissions. He intended to complete the study within four months and the final report within six months. Indeed, at the time, a number of journalists speculated that Hellyer had made up his mind in advance about the solutions to the country's housing problems.

The Task Force focused its concern on five issue areas:

1) The failure of the Canadian house building industry, Canadian financial institutions and the various levels of government to build adequate supplies of housing at prices that a substantial majority of families could afford to pay.

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[154] *Federal Task Force on Housing and Urban Development, Report, i.*

2) The failure of these institutions to meet the qualitative requirements of families; to build accommodation for very large families as well as for elderly couples; to build rental housing, particularly in apartment buildings, for families with more than two children.

3) The failure of intergovernmental programs to build more than a token amount of housing leased on rent-geared-to-income scales for low-income families.

4) The failure of Central Mortgage and Housing Corporation to adapt quickly to changing requirements for housing accommodation and other aspects of urban development within a rapidly changing Canadian society.

5) The failure of the major urban planning organization within government, in conjunction with architects, private housing and development organizations, and those in the visual arts, to create more interesting, varied and pleasing designs for housing, new towns, and "satellite" communities.[155]

The Task Force received a total of 500 briefs, half of which it heard at public hearings in twenty-seven cities.

In January 1969, the Task Force tabled its report in the House of Commons. The main thrust of the report reflected widespread criticism of many aspects of planning, particularly urban renewal and public housing projects. In an unprecedented attack on public housing, the Task Force proposed that large scale projects be stopped until a full review could take place:

> No single issue or program aroused more concern within the Task Force than the present scheme of public housing whereby the federal government, in co-operation with a province and/or municipality, finances the construction and

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155. Canadian Housing Policies (1935-1980), pp.45-46.

> subsidizes the operation of often large-scale, multiple-unit rental projects for use by low-income groups. Public housing is in a sense an "imported" concept in Canada. While it is a widely used approach in many European countries, it runs counter to the general Canadian concept of social welfare and security. In most areas this concept revolves around attempts to provide needy Canadians with sufficient income or assistance, via subsidy or insurance, in order for them to use the same services which exist for the population at large. There are no "public" groceterias or clothing stores in Canada; nor are there transportation systems or hospitals or doctors reserved solely for lower-income families. In the field of housing, however, the approach has been not to assist those in need to compete in one way or another in the private market, but rather to build special projects designated and reserved specifically for their use.[156]

In further explanation of the way in which Task Force members felt about public housing, the report stated that

> the Task Force's criticism of current public housing is not based solely -- or even primarily -- on a cost-benefit analysis. Its main complaint lies rather in the fields of sociology and psychology.[157]

In anticipation of criticism of this attitude towards public housing, the report noted that

> Public housing supporters may decry these criticisms as over-generalizations or as symptoms not of public housing, but of poverty as a more basic problem. They may point to many public housing tenants, particularly recent arrivals, who profess to be more than happy with their new

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[156] Federal Task Force on Housing and Urban Development, Report, p.52.

[157] Ibid., p.54.

> surroundings. The Task Force would reply that, if the criticisms are over-generalized to some extent, they are nevertheless generally applicable. It would agree that many of the problems stem from a lack of income rather than merely a form of housing, but it would add that every sign indicates that public housing does nothing to reduce the root problems of poverty, while increasing many of them and adding new ones of its own. As to those tenants of public housing who seem satisfied with it, the Members could comment only that exceptions to universality neither prove general conclusions nor do they invalidate them.[158]

The Task Force recommended that

> The Federal Government initiate a thorough research program into the economic, social and psychological issues of public housing. Until such a study is completed and assessed, no new large projects should be undertaken.[159]

It urged greater encouragement for limited dividend, non-profit and co-operative projects as a means of providing adequate accommodation for lower income groups:[160]

> This was in response to "the near-unanimous view" heard by the Task Force that the larger public housing projects were "ghettos of the poor; people who lived in them were stigmatized in the eyes of the rest of the community; social

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[158] Ibid., p.55.

[159] Ibid.

[160] Ibid., p.37.

> and recreational facilities were inadequate or non-existent; privacy was lacking and vandalism present."[161]

Unquestionably, the federal government should take action to meet the housing needs of both low-and moderate-income households. Canadians could not rely solely on the private market mechanism for affordable housing because to "leave a general price structure to the mechanics of the private market is to expect that the normal competitive forces within that market will act as a cost control."[162] The Task Force identified the supply and the cost of housing as the two basic issues that government needed to address. It recognized lower income tenant households and average income households aspiring to home ownership, especially family households, as the focus of concern:

> This housing market of relatively short supply and relatively high cost has made the quest for adequate accommodation a major problem for more than the lowest income groups. They have a problem, to be sure, but so do those in the next income brackets, the "average" wage earners.... With the general level of living costs what it is and with single-family dwelling prices what they are, the home ownership dream of many of these Canadians is just that -- a dream.[163]

The Task Force concluded that the problems of housing and urban development in Canada were rooted, at least in part, in the lack of clear policy goals and priorities. In a section about a "Program for an Urban Canada" and "A Declaration of Principles," the Task Force urged the federal government to make a statement of primary goals and priorities for housing and to affirm ten principles. The first three of these principles asserted that

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[161] Ibid., p.19.

[162] Ibid., p.15.

[163] Ibid.

1) Housing and urban development are an urgent priority for the people of Canada and must be treated as such by their elected representatives at all levels.

2) Every Canadian should be entitled to clean, warm shelter as a matter of basic human right.

3) While it will take some time to realize this goal, a concerted effort is required by all concerned -- governments and the private sector -- in the years immediately ahead. A minimum objective must be to produce 1 million additional housing units within the next five years.[164]

The Task Force furnished seven sets of recommendations. With respect to financing, it urged the substantial participation of private financing agencies and the provision of incentives to make private housing finance attractive, secure, and available to all Canadians. In terms of land cost and utilization, the report advised that "all profits from the sale of land should be treated as taxable income." Clearly, the report assumed that land speculation was the root cause of rising land cost. The Task Force also proposed that the federal government should make direct loans to local governments to encourage them to assemble and service land in anticipation of urban growth.

Perhaps the most controversial recommendations pertained to administrative structure. The Task Force indicated that CMHC's mandate should be firmly enhanced by making it responsible to a Department and that the federal Cabinet should indicate a full-time minister responsible for housing and urban development. The "Federal government should establish a department of housing and urban affairs," and it should change CMHC's name to "Canada Housing Corporation." A final recommendation assigned to the proposed department of housing and urban affairs wide ranging research and information functions in support of a strong federal presence.

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164. Ibid., pp.22-23.

Hellyer's Cabinet colleagues did not receive the Task Force's report very well. When Members of Parliament raised questions in the House about new policies, the Minister was unable to respond authoritatively. In the meantime, public housing projects were stalled. Hellyer stated in the House that some projects "are pending, awaiting the outcome of the policy review which is presently taking place."[165] He assured the Commons that it would not be very long until the Task Force report resulted in policy.[166] His optimism was unfounded.

On 25 April, the Globe and Mail carried a front page headline: "Hellyer Resigns over Federalism, Charges PM's Theories Hinder Action." For the first time, federal housing policy had caused a ministerial crisis. Hellyer favoured bold interventionist measures by the federal government, and the Cabinet did not.

In the Globe and Mail, Hellyer claimed that the government was "failing to use its powers to deal with issues like housing, inflation and pollution, which affect ordinary people." According to the newspaper, "the issue which triggered Mr. Hellyer's resignation was the failure of Cabinet to give final approval to a package of housing reform based on the report last January of Mr. Hellyer's Task Force on Housing."[167]

The issue quickly became one of the charges and countercharges between the former minister and Prime Minister Trudeau. Hellyer accused the Prime Minister of a weak stand on housing as a federal responsibility. Seeing himself as the champion of the people, he argued that Trudeau's focus on constitutional requirements was too theoretical. The Prime Minister countered that he had always advocated a strong Canada. As the Globe and Mail noted, no great difference existed between the two positions on the limitations or the opportunities of the Constitution. Could it be more a case of personal rivalry between two determined, former contenders for party leadership who did not see eye to eye on a variety of matters?

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165. Hansard, 1969, vol.6, p.5901.

166. Ibid., p.5903.

167. Toronto Globe and Mail, 25 April 1969.

One of the greatest weaknesses of the Task Force's report concerned the lack of rigorous analysis. It demonstrated an over-reliance on personal impressions, opinions of Task Force members, and public hearing presentations. Two prominent analysts, Albert Rose and N. Harvey Lithwick, publicly criticized the report. Rose argued that

> The task force has clearly put forward a number of recommendations and proposals that can only be termed political. By any form of analysis they constitute an intrusion into the rights and responsibilities of provincial and local governments who, without doubt, are responsible for housing and physical planning within their geographical jurisdiction.
>
> It is my conclusion that one of the reasons for the formation of the task force was to take away from the new provincial housing corporations, particularly the successful Ontario Housing Corporation, some of the attention and kudos that have been gained through increasingly active provincial initiatives since 1965.[168]

Lithwick's assessment was even more scathing:

> Mr. Hellyer's Task Force on Housing and Urban Development has been set up to wage war on the "urban crisis." Since there is no evidence of an urban crisis in Canada, nor any reason to believe that the paramilitary device that has been set up could deal with it if there was a crisis, an interesting question arises: who needs the Hellyer Task Force?...
>
> If the Task Force set out to lobby for more housing, particularly for the middle classes, it will have succeeded. If the purpose was to help relieve our urban problems, it is

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168. Canadian Housing Policies (1935-1980), pp.47-48.

> bound to fail, for its approach has prevented it from tackling these issues.[169]

According to early media reports, Cabinet found unacceptable Paul Hellyer's two favourite proposals, direct loans to municipalities to create land banks and establishment of a federal Department of Housing and Urban Affairs.[170] The Task Force recommended land banking to facilitate better urban planning and to reduce residential lot prices. However, federally financed municipal land banks represented too great an intrusion into the traditional land market and real estate finance, and a federal department concerned with housing and urban affairs interfered with provincial constitutional responsibilities and traditional municipal relationships. The Cabinet sided with the Prime Minister and rejected the Task Force's major recommendations. Nevertheless, within eighteen months it reconsidered the proposal for a ministerial presence in urban affairs.

Upon resigning from Cabinet, Hellyer presented his case to the general public in the Toronto Daily Star:

> Having promised the people of Canada that they would get action to meet their urgent housing problems, I found myself unable to keep that pledge. But even more fundamentally, I found myself unable to do so because of a concept of federalism espoused by the Prime Minister which, in my view, prevented action not only to meet the housing problem but to deal as well with a number of other issues which I believe to be of major concern to Canadians.[171]

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[169] N.H. Lithwick, "Housing: In Search of a Crisis," in Canadian Housing: A Reader, ed. K.S. Sayegh (Waterloo: University of Waterloo, 1972), p.91.

[170] Globe and Mail, 25 April 1969.

[171] Toronto Daily Star, 10 May 1969.

He continued by recalling that

> The very idea of a task force on housing, after all, had been proposed by Mr. Trudeau in an election campaign speech last May to a meeting of the Canadian Federation of Mayors and Municipalities in Edmonton....
>
> The decision to establish a task force subsequently was confirmed not only by the Prime Minister, but by Cabinet Order-in-Council. My own role as its chairman was made abundantly clear to all concerned.[172]

Hellyer presented his own version of the Task Force report's rejection by Cabinet:

> At this very juncture I fell victim to the flu bug which hit Ottawa during the month of January. While recovering at home, I took from my daughter's bookshelf a copy of Federalism and the French Canadians by Pierre Elliott Trudeau.
>
> By the time I finished reading the book, I knew that I was in trouble with my housing recommendations. In fact, I found myself in direct confrontation with the Prime Minister on the very basis of a federal role not only in housing, but in other areas which I believed to be of vital national concern to our country.[173]

Both Hellyer's personal commitment to swift action and the Task Force's recommendations assumed increasing, direct federal intervention in the housing sector. According to Hellyer, the people needing most help would not accept "a legalistic constitutional thesis as a valid reason" for living in poor quality housing, for breathing "foul air" or for swimming in "polluted waters." His article concluded by raising some fundamental questions about the role of the federal government:

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[172] Ibid.

[173] Ibid.

> Does the federal government have no responsibility in helping these people to provide for their basic needs? Is the government of Canada concerned that people are able to provide themselves with food, clothing and shelter at prices they can afford? Is it good enough to slough off these responsibilities to the provinces when vigorous and imaginative use of the clear federal powers in the fields of money, credit and banking are essential to meet these people's needs?[174]

Within a year of tabling the Task Force's report, Hellyer left the Liberal Party and crossed the floor of the House.

D. Urban Canada: Problems and Prospects, 1970

The federal government implicitly accepted the Task Force's view that the urban renewal process seriously affected many low-income families being displaced from their neighbourhoods. It also recognized the need to undertake further intensive studies of urbanization and housing. Robert Andras, then minister responsible for housing, asked Dr. N. Harvey Lithwick of Carleton University to survey present trends and future projections in urban development. Lithwick completed his report, together with six supplementary research monographs, in March 1970.[175]

The report began by defining the problems of urban Canada and by identifying those problems considered to be inherent in the process of urbanization. It then estimated the extent of urbanization over the next 30 years on the basis of current trends and examined some of the probable results of this process. Since urban problems would likely escalate in the future, explicit urban policies to deal with them were necessary. By indicating the disastrous consequences of proceeding without a plan,

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[174] Ibid.

[175] N.H. Lithwick, Urban Canada: Problems and Prospects (Ottawa: CMHC, 1970).

Lithwick focused attention on the need for urban policy planning. In retrospect, both proponents and opponents of his study agreed that it became the centre of urban policy debate in Canada.

According to Lithwick, the failure to recognize the context of the urban problem and its relationship to social and economic policies resulted in housing policies that dealt with individual problems in isolation and thereby often intensified these very problems.

> There can be little doubt that the locus of most of our social problems in the future will be the city. Already there is widespread concern over the forgotten urban poor, the alienated young urbanites, the frustrated middle class seeking shelter, the accelerating pollution of the air and water in and around urban communities, the pointless transformation of most of our central cities into mammoth parking lots, and the general unsightliness of the urban landscape.
>
> What is most striking is the degree to which this concern has recently become a national one...
>
> There appears to be a general consensus... that the problems of the urban unit have multiplied and intensified so greatly as to threaten the long-term viability of the city as we know it.[176]

Lithwick identified six prevalent and persistent categories of urban problems: poverty; housing costs; transportation congestion; environmental decay; social unrest; and fiscal squeeze.[177] He asserted that most analyses of urban problems dealt with them as if they were obvious ills for which direct solutions might easily be found. As a result, these problems had not been solved. In most cases, the solutions had in fact aggravated the problems:

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176. Ibid., p.13.

177. Ibid., p.19.

> The greatest difficulty here is that there has never been an adequate diagnosis of urban problems. There is little understanding of their extent, their impact, and primarily, their causes. As a result, policy has amounted to dealing with symptoms, not causes, and the underlying forces continue to generate the problems with increasing severity as the urbanization process accelerates.[178]

The failure of public policy to deal with the problems of housing and poverty developed partly due to an inadequate perception of the issues involved. Consequently, policy tended to be based on "a collection of myths, largely untested, and usually wrong when more carefully examined." In Lithwick's opinion,

> We have found that [the] inter-dependence [of urban problems] results largely from the fact that they are generated by the process of urbanization itself... Contained within the process of urbanization, then, are the seeds of the majority of problems found in the city... these problems do not just happen to occur within cities -- they are fundamental aspects of the growing city. As such, we might call them **problems OF the city** to distinguish them from the simpler **IN** the city problems.[179]

The final report recommended the effective control of urban growth through migration policies and the development of new communities. This approach denoted a "national urban policy" distinct from a "federal" policy.

> In view of this analysis, defining the urban problem entails much more than a listing of problems found in urban areas. First, the reality of these problems must be assessed. Then there must be an understanding of the centrality of their relationship to the urban system, which imparts to them their essential urban nature. We have found that many

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[178] Ibid. p.20.

[179] Ibid., p.15.

> urban problems are of this sort, and that it is therefore critical to approach them from a total urban perspective. Finally, that perspective ideally should reflect the ultimate desires or objectives of the Canadian people, particularly those who live in urban Canada.[180]

Cabinet failed to greet *Urban Canada: Problems and Prospects* with great enthusiasm. In 1971 Lithwick resigned from his post as Assistant Secretary in the Ministry of State for Urban Affairs. He made public his frustration at the lack of any significant shift in federal housing policy.

12.2 The Urban Affairs Policy Response

A. The City Matters: Federal Concern and Leadership

The issues identified by the Hellyer Task force and the expectations for solutions raised during the public hearings put pressure on the federal government to consider new strategies to deal with Canada's growing urban problems. Within a month of Hellyer's resignation, the Prime Minister outlined the need for strong initiatives during an address to the annual conference of the Federation of Canadian Mayors and Municipalities.

The first public action was the appointment of Robert Andras, M.P. for Thunder Bay, as Minister Without Portfolio responsible for CMHC. In July 1969, Andras submitted a memorandum to Cabinet on policy alternatives for solving the housing problems of low-income Canadians. He emphasised the need for a comprehensive housing policy recognizing the broader context of urbanization. Lithwick's study recommended that federal agencies and departments should co-ordinate the urban impact of their policies and programs and that one minister should be the focal point for rationalizing urban-related federal activities.

As minister responsible for housing, Andras sought out every possible appropriate public platform to speak about urban issues and about the need for federal leadership in solving Canada's urgent urban problems. In a June 1970 address to the Federation of Canadian Mayors and Municipalities in Halifax, he asserted that the major obstacle to a concerted action on urban problems was what he described as "political lags."

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[180] Ibid., p.40.

> Our collective task in this country is to ensure that the leadership we provide in all the political forums of this nation -- is not directed solely to shortening that 'political lag' through appearing to solve the problems of our urban nation by symbolism and furious activity, but by recognizing that knowledge and the widest possible level of understanding are the first steps.[181]

Andras sought to reassure his audience of the federal government's concern and commitment:

> We ... will continue to seek a collective response that will address itself to the realities of the problem that will search for a consensus on objectives that will avoid straight line linear responses, empire building, only symbolic moves or more perverse and conflicting programs.[182]

The speech outlined the quandary facing municipalities in their efforts to meet urgent local shelter needs:

> From 1951-1968 local government expenditures -- except for Quebec -- increased from $721 miilion to $3.5 billion.
>
> And although revenues increased from $614 million to $3.3 billion -- your direct tax source increased only three times while transfers from higher levels of government,

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181. Canadian Federation of Mayors and Municipalities, Proceedings of the 33rd Annual Conference of the Canadian Federation of Mayors and Municipalities Held in Halifax, June 9-11, 1970 (Ottawa: The Federation, 1970), p.161.

182. Ibid., p.162.

> especially provincial conditional grants, increased eight times.
>
> So, in terms of your dependence, first on an anachronistic financial resource base (the real estate tax) and second, on the conditional grant system (hat in hand -- on bended knee please) you are kept in a state of controlled inability to respond.
>
> One sometimes wonders if - in some cases - it is not a fear of municipal power in the political sense - that may be a factor.[183]

In this speech, as in others, Andras highlighted the complexity surrounding policy-making between the various levels of government. While urging a strong leadership role by the federal government, he clearly recognized the constitutional jurisdiction of the provinces and the demarcation of responsibilities in dealing with specific social and economic problems. He was nevertheless convinced that improving urban life in Canada requires the co-operation of all levels of government. To Andras, the task

> is beyond the capabilities of any single level of government - municipal - provincial or federal.
>
> It is a national matter - a national concern -- really a national opportunity -- and it requires the gathering of the best brains at all levels of government - of all Canadian society - without inhibition in terms of who can consult with whom.
>
> And it requires this now -- while we still have time -- which frankly, is short and running out.
>
> Of course, the Federal Government has a major role to play. It is doing so now as are provincial governments -

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[183] Ibid., pp.162-63.

but not really in an urban context - not in an adequately co-ordinated manner.

> And yes - there has to be consideration of institutional - of structural response to the interdepartmental co-ordination requirement of both Provincial and Federal Governments.[184]

In his closing remarks to the FCMM, Andras posed a rhetorical question about the establishment of a federal institution "in the form of a Department of Urban Affairs":

> First, would it be a super-ministry in terms of veto authority over others? Obviously this could become a monster and would defeat its own purpose. Would it be a co-ordinating and research ministry?
>
> And how would it do this?
>
> Would it better be done by full Cabinet - or a Cabinet - and/or with an interdepartmental committee?
>
> Well, I am going to leave that one hanging in the air because - among other reasons - I believe there may be a higher, more important immediate requirement. That of a forum for Federal-Provincial-Municipal consultation on urban matters - all together - with the municipalities and the Federal Government having a legitimate, recognized place at the table with the provinces - and to lay on that table all federal policies and actions that affect the cities -- for discussion -- for co-ordination with provincial-municipal needs.[185]

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184. Ibid., pp.164-65.

185. Ibid., pp.165.

Conceptually, Andras never deviated from his initial belief that institutional structures ought to be designed to serve human needs, particularly those of urban Canadians, and that the constitutional framework should help, not hinder, innovative solutions.

B. The Ministry of State for Urban Affairs

The October 1970 Speech from the Throne contained the first indication of the federal government's intention of reorganizing its institutional structure and the initial articulation of an increased commitment to improving housing conditions for all Canadians in consultation with the provinces and their municipalities:

> It is estimated that eighty percent of the population of Canada will be resident in a few large cities by the end of this century. By comparison with the recent past, this is a new face of Canada bringing with it a new accumulation of problems ... To foster coordination of the activities of all levels of government, and to contribute to sound urban growth and development, the Government proposes the reorganization of its urban activities under the direction of a Minister of State for Urban Affairs and Housing. The Government seeks, by making rational its efforts in these fields, and through consultation with those most directly concerned, to help Canadians reach and implement the decisions that will determine their urban future. [186]

Clearly, Cabinet wanted to establish a new federal mechanism to deal with urban affairs. At the same time, it did not want to give the impression that this was a new type of Department that would in any way displace the constitutional legitimacy of the Provinces. The Prime Minister himself outlined how the government intended to invoke the use of the Ministry of State concept. In general, the Ministers of State would be responsible for developing fresh, comprehensive federal policies in areas of particular urgency and importance. The ministers would have temporary mandates "of such a duration as to enable them to come to grips with the policy problems assigned to them." The secretariats would be relatively small with no program responsibilities.

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[186] Hansard, 1970, vol.1, p.2.

Cabinet also applied the concept of the Ministry of Sate as a policy ministry to the field of science and technology and subsequently to the 'envelope of programs' in social affairs and economic affairs. Each case represented a substantive departure from the traditional concept of departmental responsibilities and initiatives. The system gave the Prime Minister more flexibility in assigning senior ministers to important problems requiring policy development. A principal reason for making Urban Affairs one of the two Ministries of Sate in 1970 was the large number of solid urban programs administered independently by almost every federal department: 27 different departments managed a total of 117 major programs. Cabinet intended to eliminate this fragmentation by imposing one policy umbrella. It anticipated improvements in the effectiveness of program delivery, the expenditure of public funds, and the arrival at a consensus on an urban future.

Andras became Minister Designate for the proposed Ministry of State for Urban Affairs, with additional responsibility for CMHC and the National Capital Commission. During the Throne Speech debate, he stressed co-operation with the provinces and co-ordination within the federal system:

> ...there are 112 federal programmes involving financing elements of the urban process; 131 research programmes applying to elements of the urban process. Twenty-seven departments and agencies have influence of one degree or another in the cities.
>
> I am afraid ... that in large part the federal departments and agencies have not worked well enough and interdependently enough with each other, and with provincial and city governments. We need not feel entirely ashamed, not alone. No country has done this in a way that consciously seeks out and sets priorities, and that rationalises scarce national resources, as we hope to do.

> We hope to make the federal involvement in the cities no longer a series of unconnected initiatives but parts of a better-understood urban whole. Inevitably, there are federal, provincial and municipal considerations to almost everything done in that light so that anything less than effective tri-level co-operation simply cannot work.
>
> We will co-ordinate and integrate the federal urban role in various ways. For example, through the Minister of State in Cabinet and cabinet committees, and in bilateral and interdepartmental arrangements, I will be involved with my colleagues in urban overviews of the various plans of other federal departments and agencies. We will have a secretariat, headed by a person with the rank of deputy minister, that will fully review the federal efforts in urban affairs and through consultation and agreement will carry further through the government systems the work of rationalising, co-ordinating and planning.[187]

Andras also outlined how he proposed to utilize CMHC's resources to address housing problems:

> Central Mortgage and Housing Corporation's capital and expenditure budget is a potent force, and honourable members will know that I have switched its direction to the provision primarily of low income housing.
>
> Early this year, as part of that low income housing programme, I earmarked $200 million of CMHC's budget toward encouraging specifically innovative, experimental ways of providing good quality housing for people earning between about $4,000 and $6,000 a year. The $200 million, and a little more, has been approved for 97 projects consisting of more than 17,000 dwelling units.

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187. [Press release re: remarks made by Robert Andras during the debate on the Throne Speech, 22 October 1970], pp.6-7.

> They are projects involving novel techniques of construction, land use or financing, and they result from co-operation by CMHC, builders, non-profit groups, municipalities and several provincial governments.
>
> I further intend to maintain the general emphasis of CMHC policy on homes for the low in income. This emphasis will have produced roughly 50,000 dwelling unit commitments in that area in Canada this year, or 77,000 commitments this year and last. In these two years, our low income housing activity will have doubled all the low income housing ever built before in this country, and I am proud of that.
>
> All told, CMHC will have committed one billion one hundred million dollars this year in its capital budget, of which about 960 million dollars have gone directly to housing through programmes under sections 35, 16, 40 and 36B of the NHA. The remainder has been invested in land assembly, urban renewal, and sewage treatment loans.[188]

From the beginning, Cabinet intended the MSUA to be an experiment in public administration. The Ministry had an exclusive policy development mandate, thereby separating policy from programs and itself from traditional Departments. The policy development function included co-ordination of inter-departmental and inter-governmental agencies and their programs and consultation with "those most directly concerned".

The Ministry's experimental structure was tested almost before it was created. The new organizational mechanism required a legislative base and an explicit administrative structure. However, the October Crisis severely disrupted government planning to put the necessary structure in place.[189] Legal constitution of the Ministry occurred only on 1 July 1971 through an Order-in-Council receiving the unanimous support from the House. The Proclamation empowered the Minister to formulate and to develop policies for implementation through federal measures respecting

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[188] Ibid.

(a) the most appropriate means by which the Government of Canada would have a beneficial influence on the evolution of the process of urbanization in Canada;

(b) the integration of urban policy with other policies and programs of the Government of Canada;

(c) the fostering of cooperative relationships in respect of urban affairs with the provinces and, through them, their municipalities, and with the public and with private organizations.

The MSUA had three objectives: to put the Federal government's urban policy house in order; to develop a national research-based policy for urban issues for Canada; and to develop co-operation with the provinces on a variety of specific policies and program issues, bearing in mind the constitutional reality of Canada.

The October Crisis derailed the government's timetable on a variety of major initiatives including the MSUA. Once the momentum for this initiative was delayed, it was very hard to regain. During the spring and the summer of 1971, intensive and far-reaching discussions took place over the nature and the character of the MSUA as a new instrument of public administration. The ministry faced the task of fulfilling its mandate while finding an appropriate point of entry into the urban system and while balancing the strategic choices between long-term policies and short-term initiatives. Although designed as a policy ministry, the MSUA's credibility and success were linked from the beginning to its ability to provide early, strategic advice to the federal Cabinet on current specific issues. It also had

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189. First reading of the bill under which MSUA would be established occurred on 9 December 1970, and second reading took place on 26 January 1971. However, Parliament did not pass the bill until the summer of 1971.

to assert itself within the federal administration and to exercise its co-ordinating role over programs distributed throughout almost all federal departments. At the same time, it had to maintain its presence with the provinces by respecting their constitutional prerogatives but while encouraging a long-term involvement with the municipalities.

A fundamental aspect of the Ministry's mandate was to act on behalf of Canada's single, largest land owner, the federal Crown. In 1972, the Crown owned 200,000 acres of land in the country's six largest cities. Nineteen different agencies held and managed the land. Often located in strategic settings, the land provided the government with an important opportunity to influence the growth and the shape of cities. In 1972, MSUA submitted to Cabinet a series of memoranda concerning the development of an integrated land management strategy. The memoranda proposed an optimum social use for each location and cautioned against viewing the land solely as a commodity to be sold to increase revenue. The objective was to influence and ultimately to manage urbanization by placing federal Crown land decisions within the context of provincial and local development plans while retaining these lands in public ownership in perpetuity. Crown lands would be managed as a resource for urban purposes under a tri-partite departmental committee. Treasury Board would manage land on the same basis as it did money and federal personnel. The Department of Public Works would set up and maintain a nation-wide land inventory, and the MSUA would furnish policy advice on use and re-use. The tangible results of that policy initiative are the continuing federal presence on Granville Island in Vancouver, at Harbourfront in Toronto, and in comparable development projects in Montreal, Quebec, and Halifax. This federal Crown land management policy and process prevailed for more than a decade.

A second opportunity for a federal urban policy initiative presented itself in 1974 with the review of the Railway Relocation Act. Since Confederation, the railway companies had received grants of vast tracts of land, initially to build railroads and subsequently to encourage development and settlement. By the early 1970s, much of the land owned or held under the companies' jurisdiction had become surplus to railway needs. A significant proportion of these land holdings occupied the central areas of Canada's major cities and represented a unique opportunity for strategically converting substantially vacant land to intensive urban use. The 1974 Railway Relocation Act encouraged municipalities to include the rational use of these areas within their urban core planning and then to negotiate with the companies the release of these lands or an exchange for equal or better location of railway functions elsewhere. The Act supplied funding to the municipalities for planning and negotiating purposes. As well, it established a procedure for dealing with the companies on the principle of 'no gain/no loss'. The companies could apply for a quasi-judicial ruling from the Canada Transportation Commission which had full jurisdiction over the railways. As a judicial tribunal, the CTC could hear and act upon requests from the municipalities to consider land use changes based on urban renewal plans for the railway lands. A number of municipalities, including Regina, Winnipeg, Vancouver and Kamloops in the west and Halifax, St. John, and Moncton in the east, availed themselves of the planning provisions of the Railway Relocation Act.

C. Tri-Level Consultations

In addition to its policy focus, the MSUA became involved in developing innovative ways of co-operating with the provinces and of drawing the municipalities into the process. Its mandate explicitly stated that the Ministry should "formulate and develop policies for implementation through measures within fields of federal jurisdiction in respect of... the fostering of cooperative relationships in respect of urban affairs with the provinces and through them, their municipalities...."[190]

The MSUA organized two national tri-level consultation meetings, one in 1972 in Toronto and another in 1973 in Edmonton. For the first time, three levels of government met around the same table with an agreed-upon agenda. In November 1972, Ron Basford, then Minister of State for Urban Affairs, characterised the initial meeting as "a necessary voyage of political discovery:"

> It was a great experience to act as co-chairman of the first consultation on urbanization ... and [we have] agreed to

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190. Canadian Gazette 105, 28 (10 July 1971): 1769.

> further discussions at the national level, with an agenda that will take all levels of government well beyond the initial stages of cooperation and co-ordination ... even more immediately important, was our decision to forge ahead with regional tri-level action groups involved the federal government with specific provinces and specific urban communities.... We must find ways of meshing the policies and programs of all three levels of government as they come together in urban Canada. I am convinced that the tri-level process is the only way to achieve this goal.[191]

J. Fraser Mooney, Minister of Municipal Affairs for Nova Scotia, speaking on behalf of the ten participating provinces, echoed this optimistic assessment. He considered the first tri-level conference an historic event:

> The desire for new methods of consultation itself reflects a change over time in the perception of those responsible for governing at all levels of government as to how best to achieve results.... The historic element of the November tri-level conference is that it represents the beginnings of the attempt to establish a process to meet this need for consultation while maintaining the constitutional primacy over their municipalities.[192]

Desmond Newman, Mayor of Whitby, Ontario, and President of the Canadian Federation of mayors and Municipalities, spoke on behalf of municipal governments. He hailed the conference as an important achievement, and he emphasized that through co-operation and consultation the three levels of government would be able to find "intelligent solutions to urban problems."

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[191] "Urban Government and Management in the Canadian Federal System," Urban Focus 1,2(January-February 1973): 7.

[192] Ibid., p.8.

Each meeting raised expectations for increased funding and strong federal leadership. Unfortunately, these expectations became increasingly difficult to realize. The consultation process at the provincial/local level proved far more successful than the tri-level meetings and continued as a common practice throughout the 1970s in various parts of Canada.

D. Provincial and Municipal Responses

Since the MSUA concerned itself with matters under provincial jurisdiction and with municipal application, the provinces needed to devise some form of intergovernmental co-ordinating body to move from the national policy level to action at the local or metropolitan level. Their responses varied. Some, notably Manitoba and Saskatchewan, established their own ministries of state for urban affairs to deal with the federal programs. They modified the particular structure of these ministries to respond to provincial requirements. Ontario reorganized substantively; it introduced a Ministry of Intergovernmental Affairs responsible for major urban areas. In general, the provinces retained their municipal affairs departments to deal with the smaller communities.

From the municipal perspective, considerable dissatisfaction with the existing relationships between the three levels of government undoubtedly influenced their favourable response to the tri-level conferences of 1972 and 1973. The municipalities gradually began to understand the meaning and the use of power: facing increased expenditures reflecting their greater responsibility in delivering their own as well as federal and provincial services, they needed more "real authority" in adjusting programs to meet social problems arising in their communities.[193]

12.3 The Search for New Housing Policy and Programs

Between 1968 and 1973, the federal government fundamentally rethought virtually all its existing housing policy and programs in response to tumultuous economic, social, and political events. In 1970-1971, it sponsored a special fund for innovative housing options, and in 1969-1971,

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193. D.G. Newman, "The Golden Hour of Municipal Politics," in Ministry of State for Urban Affairs, p.55.

it initiated mortgage financing and housing-related income tax changes. Its 1973 amendments to the National Housing Act largely replaced traditional public housing with non-profit, socially mixed housing and initiated a whole range of fresh programs.

Almost immediately upon assuming his new housing portfolio in 1969, Robert Andras stated in the House of Commons that

> It is my intention that the capital budget of Central Mortgage and Housing Corporation,... will be devoted to the special programs for low income families, the elderly and the disadvantaged, to a greater extent than in any previous year. These... are the basic premises on which I will work.[194]

Mr. Andras assumed his responsibility for housing policy and programs at a time when a great deal of discontent existed over trends in the housing market. Andras defined the "crisis" in the following way:

> The articulation of discontent stems from the whole spectrum of housing conditions and aspirations representing all income levels. Some of this articulation of discontent is valid, and some is not. It has reached a decibel level which is described by some as a housing crisis. The housing problem is something different. That is rooted in the actual deprivation of people at the lower level of the spectrum and can only be solved by the provision of decent accommodation for them.[195]

According to the new Minister, the solution involved both market and non-market activities:

> We must, therefore, not only improve the operation of private markets in order to accelerate the total output of

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[194] Hansard, 1969, vol.9, p.9179.

[195] Ibid.

> housing but we must also stimulate the provision of modest accommodation for low income people, augmenting the process if necessary with what may be regarded as non-market devices in order to get a higher yield of new units out of the nation's housing effort.
>
> The argument for government loans and subsidies for low income people does not rest solely on the issue of distributive justice. It depends also on the hard economic reality that in order to achieve the size of housing stock which is needed in this country, we must greatly increase the share of the new housing program which provides modest accommodation for people of low and modest incomes.[196]

A. *$200 Million Innovative Housing Fund, 1970, and $100 Million Assisted Home Ownership Fund, 1971*

In 1970, as a means of meeting social housing need and as a method of seeking innovative program options, the federal government set up a special $200 million fund for encouraging imaginative options for low-income housing. In May of the following year, it announced that an additional $100 million would be made available as the initiative's second phase, the Assisted Home Ownership Program, which emphasized innovative home ownership options. In 1972, this latter program "was maintained and extended to bring home ownership within the financial capabilities of families whose incomes do not exceed $7,000."[197]

As directed by the Minister, CMHC kept the eligibility conditions to a minimum in an effort to allow the widest possible latitude for imaginative concepts. The overriding stipulation was that the accommodation provided, whether rented or owned, had to keep within the financial means of those earning between $4,000 and $6,000 (in 1970 dollars). Innovation was evident in terms of:

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[196] Ibid.

[197] CMHC, Annual Report, 1972, p.22.

(a) new tenures, sponsors, integration of lower and middle-income groups, and mixes of residential and commercial uses;

(b) economic land uses, building methods and financial arrangements; and

(c) the development of new attitudes in the building industry, financial institutions and other levels of government towards low-cost housing.[198]

According to CMHC, the special $200 million program seeking novel options for low-cost housing responded to the inadequacies of the public housing program. In 1970, CMHC's Annual Report explained that

> In a sociological sense, the concept of public housing cannot lay claim to unqualified success in Canada. While recognizing the importance of physical improvements in the housing stock for low-income families, the Task Force on Housing and Urban Development questioned the social integrity of public housing projects. Anticipated gains in terms of individual and community spirit had not materialized. In contrast to volume production of good physical housing, an environment had not generally emerged from such projects of sufficient character and of a quality to nourish the growth of personal incentives and dignity in living styles.[199]

CMHC received some 350 proposals to the $200 million program, from which it selected about 90 for implementation and committed virtually the full allocation of funds. In October, Mr. Andras provided the following summary of the special fund to the House of Commons:

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[198] CMHC, Annual Report, 1970, pp.12-13, 15-24.

[199] Ibid., p.15.

> Early this year, Mr. Speaker, as part of that low income housing program I earmarked $200 million of CMHC's budget toward encouraging specifically innovative, experimental ways of providing good quality housing for people earning between about $4,000 and $6,000 a year. The $200 million, and a little more, has been approved for 97 projects consisting of more than 17,000 dwelling units. They are projects involving novel techniques of construction, land use, financing, and they result from co-operation by CMHC, builders, non-profit groups, municipalities and several provincial governments.[200]

In assessing the $200 million first stage of the special program, the Canadian Council on Social Development concluded that

> It is evident that much of the cost-saving in projects approved under this program occurred in the area of reducing unit sizes and increasing densities....
>
> It should be clearly recognized that there are hundreds of thousands of families and old people whose incomes are too low to enable them to take advantage of most of the accommodation built under this program.[201]

B. Mortgage Financing and Housing Related Income Tax Changes, 1969-1971

In addition to new housing programs administered by CMHC, the federal government brought in important changes in mortgage financing and in taxes relating to housing and construction. In 1970, federal legislation authorized private mortgage insurance, and by 1973 most provinces had adopted parallel legislation. Consequently, by the mid-1970s, three private

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200. Hansard, 1970, vol.1, p.467.

201. Canadian Council on Social Development, Where the $200 Million Went (Ottawa: The Council, 1971), pp.15-18. See also, Poverty in Canada, pp.135-36.

insurers had a combined market share of about two-thirds of total NHA and conventional mortgage underwriting. Thus, CMHC encountered healthy competition, although by 1981 all three private insurers had merged into one, the Mortgage Insurance Company of Canada (MICC). By the mid-1980s, MICC had captured a 20% share of the mortgage insurance market.

In June 1969, the federal government set the NHA interest rate free of any government regulation and executed a policy decision made two years earlier when the government introduced a new formula for calculating the rate long restricted by statute to a maximum of 2 1/4% above the long-term government bond rate. Thereafter, the only remaining difference between NHA and conventional lending was the risk-free nature of NHA or privately insured mortgages. In addition, the government reduced the minimum term of NHA mortgages from 25 years to five years.[202]

These measures provided added incentives for private investment funds to flow to the residential mortgage lending sector, but they did not make home ownership more affordable. One of the major factors affecting housing affordability is interest rates. Setting the NHA rate free took place after a period of relative interest rate stability. From the early 1950s to the late 1960s, the conventional mortgage interest rate remained highly stable and ranged between 6% and 7%. For example, between 1959 and 1965, it stood firm at 7%. After the government freed NHA mortgage rate from any restrictions, rates became unstable. They jumped to 9% in 1969 and then fluctuated between 9% and 12% during much of the 1970s. This instability originated in macro-economic conditions within and outside Canada. Economic turmoil caused the federal government to place access to home ownership for first time buyers high on the public agenda. Ottawa initiated a range of home ownership and mortgage assistance programs starting in the early 1970s and continuing until the mid-1980s when interest rates once again stayed relatively stable. The interest rate peaked at 21% in August 1981, fell to about 13% two years later, and then remained in the 10 to 12% range during the mid- and late 1980s.

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[202] For additional information, see, L.B. Smith, The Postwar Canadian Housing and Residential Mortgage Markets and the Role of Government (Toronto: University of Toronto Press, 1974).

The early 1970s was a period of unprecedented house price inflation as well as rising interest rates. Between 1972 and 1974 , the cost of both the average resale house and the average new house increased by 53% whereas the average Canadian salary grew by only 22%.[203] Home ownership became much more expensive relative to other cost of living factors, and incomes failed to keep pace. A greater proportion of households could not afford to buy a house. CMHC's measure of the percentage of renters of prime homebuying age (25 to 44 years old) able to afford the average priced house fell from 50% in 1971 to 17% in 1975 and to 7% in 1981.[204] Would-be home buyers and the residential construction industry put political pressure on government and formed a powerful lobby for the creation of a string of expensive short-term home ownership subsidy programs.

The first major benefit for home owners after the 1969 changes in the NHA mortgage was the exemption of the family house from capital gains taxes. In 1971-1972, new tax rules introduced a 50% tax on capital gains excluding the privately owned house and thereby permitted home owners to benefit fully from appreciation:

> The most important reform to broaden the income tax base is the proposal to tax capital gains...
>
> The general rule will provide that one-half of capital gains will be included in income and taxed at ordinary rates. This, in effect, makes capital gains part of the progressive tax system, taxing gains according to ability to pay...
>
> The White Paper contained proposals designed to exclude most homes from taxation; but many taxpayers feared that their homes might still be subject to taxation. To eliminate

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[203] R. Schaffner, Housing Policy in Canada: Learning from Recent Problems, HRI Observations, no.3 (Montreal: C.D. Howe Research Institute, 1975), p.7.

[204] CMHC, Consultation Paper on Housing (Ottawa: Queen's Printer, 1985), App. I, p.15.

> this concern, there will be no gains tax on a taxpayer's principle residence...
>
> The most important assets of Canadians will be completely free from capital gains tax. There will be no tax on personal homes.[205]

The capital gains exemption has become a permanent and popular housing subsidy. It allows home owners to build up and to shelter equity in their house, to "trade up" to better houses, and eventually to "cash in" their equity at retirement or any other time.

The turbulent economy also took its toll on the private rental sector. In addition to facing high interest rates, investors in rental housing lost a tax benefit. Before 1972, rental housing investors benefited from a number of longstanding tax provisions contained in the Income Tax Act. For example, the allowable depreciation rate on rental property was twice the actual rate. Investors also enjoyed the right to pool all rental buildings for tax purposes and to defer the tax on recaptured depreciation upon sale of a building as long as rental properties with unallocated capital cost allowance (CCA) remained in the pool. In addition, individual and corporate investors could shelter income by claiming CCA for buildings, exclusive of land, against income from any source. Finally, capital gains on real estate were not taxable, and rental investors received special tax treatment on death.

The 1972 tax reforms eliminated or modified these rental housing-related tax incentives. They eliminated the tax deferral by revisions which invented a separate appreciation class for each rental building worth $50,000 or more: accumulated depreciation would be recaptured and treated as income when sold. The revisions also abolished the tax shelter by preventing investors other than real estate corporations from claiming CCA on rental property in excess of the income from the property: CCA can only be used to construct a loss against rental income. The tax reform also introduced a general capital gains tax applying to the sale of rental property at the rate of 50%. The tax reform also introduced the deemed realization

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205. Hansard, 1971, vol.7, pp.6896-97.

on death of one-half the gain on real estate investment. Finally, the revisions required the capitalization of carrying costs (interest and property taxes) on undeveloped land and prohibited the treatment of these costs as operating expenses.[206] In his announcement of these changes, Finance Minister E.J. Benson told the House of Commons that:

> The new bill will continue the present system of capital cost allowance. However, there are three changes to remove some inequities in the present system.
>
> First, losses created by capital cost allowances on rental property will not be deductible from non-rental income.
>
> Secondly, each rental building costing $50,000 or more that is acquired after 1971 will be placed in a separate capital cost allowance class.
>
> Thirdly, when a taxpayer dies, he will be deemed to have disposed of depreciable property at an amount midway between its fair market value and its written-down value. This will provide treatment similar to the taxation of capital gains at death.[207]

The combined effect of these revisions to the Income Tax Act significantly lowered the after-tax yield on investment in residential properties, reduced the liquidity of real estate investment, and decreased the desirability of rental housing investment relative to commercial, industrial, and other types of residential property investment. These tax changes, together with higher interest rates, macro-economic instability, and new home ownership subsidies, brought about a steep decline in unsubsidized private rental apartment starts. The economic climate and the tax changes made rental investment a less desirable option. By 1974, private sector multiple starts had fallen to 56% of their 1969 level while private sector single family starts had risen by 45%.

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[206] For more information, see, R.G. Dowler, Housing Related Tax Expenditures: An Overview and Evaluation (Toronto: Centre for Urban and Community Studies, University of Toronto, 1983).

[207] Hansard, 1971, vol.7, p.6898.

C. National Housing Act Amendments, 1973

During the short life of the Ministry of State for Urban Affairs, the Canada Mortgage and Housing Corporation established its own policy division and with the Ministry began to develop joint proposals for amending and extending the National Housing Act. In late 1970, as a first step in this process, CMHC appointed two task forces to pursue long-term measures: one on housing for low-income groups chaired by Michael Dennis, a Toronto lawyer; and another on urban assistance chaired by Glen Milne, an architecture professor at Carleton University. Both task forces reported in November 1971.[208]

In June 1972, after considerable analysis of options, Ron Basford, the minister responsible for housing, introduced in the House of Commons legislation incorporating the principles advocated by these study groups. Many critics widely hailed the proposals as the most significant revision of the NHA since 1954, although others still sought to improve the legislation. The death of the bill on the order paper owing to the 1972 general election provided an opportunity for considerably improved legislation introduced by Basford in January 1973. The election of a minority government allowed some 36 substantive amendments to be made to the new bill. According to Albert Rose,

> The fact that the Trudeau government was returned with only a two-seat advantage over the Conservative Party and was forced to rely on the New Democratic Party to maintain its position as the Government of Canada had two important consequences for prospective housing legislation. On the one hand, widespread political confusion made it inevitable that amendments to the NHA would not be

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[208] Although CMHC did not publish the report of the task force on low-income housing, it received private publication in 1972 as M. Dennis' and S. Fish's Programs in Search of a Policy.

> among the highest priority legislation; on the other hand, the enormous interest of the NDP (which held the balance of power) in all forms of social legislation ensured that the new housing legislation could not be long delayed.[209]

The amended National Housing Act introduced ten new or substantially revised programs: Assisted Home Ownership (new Sections 34.15 and 34.16); Non-Profit Housing Assistance (new Section 15.1); Co-operative Housing Assistance; Neighbourhood Improvement Program (new Part III, Section 27); Residential Rehabilitation Assistance Program (Part IV.1); Land Assembly Assistance; New Communities Program (Part V.1); Developmental Program (Part V); Native On-Reserve Housing; and Purchaser Protection.[210] A companion piece of legislation, the Residential Mortgage Financing Act was intended to bolster mortgage activity in the private market. Potentially, it allowed the federal government to focus more of its resources on implementing new measures to assist low- and moderate-income households.

The 1973 NHA amendments supported and emphasized the social component of housing need, and they initiated a variety of municipal planning opportunities. They introduced major programs like the Neighbourhood Improvement Program (NIP), the Residential Rehabilitation Assistance Program (RRAP), and the Assisted Home Ownership Program (AHOP), and they permitted an increased role in social housing provision for public, private and co-operative non-profit housing organizations. During the debate over the new legislation, Ron Basford, who was the second Minister of State for Urban Affairs as well as the minister responsible for CMHC, summarized his government's philosophy toward housing:

> When we talk, as we undoubtedly will, in this debate in a general way about the subject of housing we are talking about an elemental human need -- the need for shelter, for

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209. Canadian Housing Policies (1935-1980), pp. 54-55.

210. CMHC, New National Housing Act Programs (Ottawa: Queen's Printer, 1973).

physical and emotional comfort in that shelter. When we talk about people's basic needs -- the requirements for survival -- society and the government obviously have an obligation to assure that these basic needs of shelter are met.

I have already acknowledged this obligation in stating that good housing at reasonable cost is a social right of every citizen of this country. As legislators, as administrators, as a federal government working with the provinces and with the private sector, that must be our objective, our obligation and our goal. The legislation which I am proposing to the House today is an expression of the government's policy, part of a broad plan, to try to make this right and this objective a reality.

The measures presented in this bill are designed, first of all, to give Canadians the kind of help that they have a right to expect in providing themselves and their families with adequate shelter. More particularly, they are directed first at those people whose need is most urgent - the old, the poor and those people who for one reason or another do not have access to the resources which this country can provide.

In considering people's need for shelter, however, we cannot concern ourselves simply with a roof and four walls. Man is a social animal and we must look beyond his house to the community of which it is a part. The community, as well as the house, must be safe and healthy and must allow and encourage man and his family to achieve the fullest possible growth and development, physically, emotionally and spiritually.[211]

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211. Hansard, 1973, vol.2, p.2257.

The Minister reacted in part to the growing criticism of the inadequacies of public housing and the shortage of affordable housing options for lower income households. He also responded to complaints about the lack of balance between assistance to the home ownership sector and assistance to private rental and non-market housing. The following assessment of housing policy by the Vanier Institute of the Family typifies housing policy criticisms of the day:

> In contrast to policies for home owners, the gross inadequacy of the provision of public-housing units in the past, under other Sections of the Act, is a matter of record. Far too few units were built even to meet the minimum requirements of the poor, and too many families (including single, aged, surviving members) continue to exist in over-crowded, sub-standard, decrepit, and depressing quarters.
>
> Even where units have been built for poor families, public-housing laws and the policy regarding the administration of these housing units do not always ensure that there will be no discrimination against tenants who are poor. Three-quarters of all public-housing tenants are poor working families who have large families and low income. Is the policy of tying the rents for these units rigidly to the income earnings of the family removing the incentive of the family to try and increase their earnings?
>
> Do contracts give the tenants all the rights commonly associated with tenancy and private housing? Do tenants of these units have privacy and stability of tenure? It is also highly doubtful whether enough consideration in designing public housing is always given to the needs for good family living. Are poor families being moved into box-like units which provide shelter, heat, plumbing, but few, if any, extra facilities, such as storage space, pay

> laundries, utility rooms, etc., and with inadequate space for study and for leisure activities of the family?[212]

The new social housing programs in the 1973 NHA sought to redress the imbalance between home ownership and public housing programs.

In addition to furnishing assistance for housing, the 1973 NHAs provisions for neighbourhood improvement and new communities were innovative and bold. To encourage improved residential quality at the larger urban scale, the 1973 amendments created two new programs. Under the Neighbourhood Improvement Program, CMHC could supply municipalities with 50% of the cost of acquiring and clearing land for open space and community facilities in a given neighbourhood with low-and moderate-income housing at low and medium densities. The NHA amendments also emphasized cooperation and consultation with the local community to improve neighbourhood, social, and recreational facilities and to minimize unnecessary dislocation and disruptions in neighbourhood life. Clearing and acquiring land had to be consistent with the neighbourhood's general character.

Programs resulting from these amendments focused on the social objectives of government support for housing and on the inextricable links between housing, neighbourhoods, and urban services comprising the larger city. Through these amendments, the National Housing Act had now gone well beyond the house on its lot and aimed at dealing with related goals of improving shelter and environment, particularly at the neighbourhood level.

One of the 1973 NHA amendments while duly enacted never became an effective program largely through the unwillingness of the provinces to become involved in long-term, strategic settlement planning. The provision to select sites for and initiate the building of new communities in the context of managing and shaping the settlement system linked to the major metropolitan areas came under Part VI of the NHA: using federal-provincial agreements, it proposed funding for land acquisition of land for new communities in anticipation of need and for infrastructure and transportation corridors connecting these new communities to the major urban centres. The provision also authorized funding for planning this strategy and linking it to municipal, regional and province-wide initiatives in land-use planning. CMHC was empowered to make loans to provinces for the purpose of

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[212] Vanier Institute of the Family, Brief Presented to the Special Senate Committee on Poverty, [17 February 1970] (n.p.: The Institute, 1970), pp.48-49.

(a) acquiring lands for a new community, including land to be used for transportation corridors linking the community to other communities, or for public open space in or around the new community or separating it from any other community;

(b) planning the new community; and

(c) designing and installing utilities and other services that are required for the development of the community and are normally publicly owned.[213]

While these funds were loans for terms not exceeding 50 years, the Corporation could forgive payment by the borrower (a province) of up to 50% of the total if specifically used for planning purposes or for acquiring land for recreational facilities tied to the new communities strategy.

The NHA amendments reflected extensive discussions about the value of new communities as a method of coping with rapid urbanization. Originally advanced by the Hellyer Task Force, the Lithwick Report upheld the strategy and the Science Council of Canada gave it additional support in its 1975 report. While the amendments did not result in the building of new communities, they recognized the need to deal with urban growth in a deliberate manner, to join federal housing policies to the urban system, and to engage the provinces in the joint planning of urban settlements across the country.

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[213] **Canada, Laws, Statutes, etc.**, An Act to Amend the National Housing Act, 1973, 21 & 22 Eliz.2, ch.18 (pt. vi.1, sec. 45.2(c1)).

In summary, between 1968 and 1973, the government sorted out what it wanted to do with housing policy in general and NHA housing programs in particular. From the controversy surrounding Paul Hellyer's Task Force and his resignation over housing policy issues, through the experiments funded by the special innovative housing program, and finally to the very significant revisions to the NHA in the context of a minority government, the 1968 to 1973 period set the stage for housing policy for the rest of the decade. However, it did not set the complete stage. The NHA amendments introduced a social housing program and a residential rehabilitation program which continue to be key parts of Canadian housing policy. The Neighbourhood Improvement Program, the land assembly program and the Assisted Home Ownership Program lasted only until the government terminated them in 1978. Careful long-range policy planning did not shape the rest of the housing policy stage. Instead, policy became very much event-driven. Interest rates, inflation, housing affordability problems, shortages of affordable rental stock, and high energy costs forced the federal government to react to the perceived "crisis" of the moment with a host of short and temporary programs.

13. Responding to Turbulent Times, 1974 to 1978

Between 1974 and 1978, Ottawa continued to respond to the urgency of economic, political, and social events. Its commitment to the urban political agenda declined despite the success of Habitat '76, an international conference on human settlements. However, it reacted with a task force and with new, temporary programs to meet serious, immediate problems in housing and urban affairs. At the same time, it implemented programs resulting from the policy planning process of the early 1970s and, in particular, from the NHA amendments of 1973. In general, Ottawa began to shift emphasis from long-range to short-term considerations in developing a political agenda and in devising policy and programs.

13.1. The Urban Affairs Policy Response

A. HABITAT '76: Canada's International Initiative

The mandate of the Ministry of Sate for Urban Affairs empowered its Minister to extend co-ordinating functions in matters of urban policy beyond the national scale. Initially, the mandate allowed the Ministry to participate actively in preparations for Canada's participation in the United Nations Conference on the Human Environment convened during the summer of 1972 in Stockholm. The Minister of the Environment was appointed leader of the Canadian delegation. The six senior delegates included Quebec's Minister of Municipal Affairs and the Environment, Dr. Victor Goldbloom.

Dr. Goldbloom eloquently presented the delegation's position that had been developed by MSUA and approved by Cabinet. Canada asserted that uncontrolled urbanization had become a serious threat to the human environment and urged the United Nations to recognize the complex interdependence between urbanization and the natural environment. It also offered to host a U.N. conference on human settlements development issues in both the developed and the developing countries. It officially presented the proposal to the U.N. General Assembly prior to the Stockholm conference, and, subsequently, the U.N. agreed to convene a Conference on Human Settlements in 1976 in Vancouver.

The first substantive preparatory committee meeting occurred under MSUA's auspices in May 1973 at the University of British Columbia. Under the chairmanship of Lady Barbara Ward Jackson, the meeting attracted representatives from the U.N. and from twenty participating countries. This initial conference, together with four other regional meetings, culminated in the U.N. Conference on Human Settlements (Habitat) held in June 1976. More than one hundred countries participated in the two-week conference.

The participating nations drafted and unanimously approved the Vancouver Charter and Policy Declarations. They recommended that the U.N. establish an instrument of continuity explicitly and solely dedicated to improving human settlements throughout the world. The General Assembly acted upon this recommendation. In 1977, it set up the U.N. Commission on Human Settlements with a Secretariat in Nairobi, Kenya. For the first time, it located a major U.N. agency in the capital of a developing country to demonstrate its priorities in dealing with third world problems. Canada became an elected member of the U.N. Commission on Human Settlements and has remained a major policy initiator and supporter of this international commitment.

B. Urban Concerns Fade: The Demise of MSUA

The Ministry of State for Urban Affairs was an experiment in building a new type of institution designed to cut across several departmental jurisdictions. Yet on occasion the ministry found it difficult to separate policy advice from program delivery, particularly when the Minister served on key Cabinet committees such as social development or the Treasury Board. His involvement at strategic Cabinet committee meetings, although important, was a mixed blessing:

> [The minister had] some of the spending power which is conventionally associated with ministerial clout, and with it the hazard of being drawn too deeply into what might be politically high profile concerns, and correspondingly away

> from the demanding role of innovator in both policy substance and process.[214]

As MSUA began to assert its mandate and to operate effectively, its very successes subverted its future.[215] It posed a threat to established lines of authority and power within the existing departments. According to MSUA's mandate, co-ordination involved bringing together disparate and diverse programs cutting across traditional departmental jurisdictions. When MSUA offered advice about the implications of transportation decisions on urbanization and regional development, the Ministry of Transport suspected the new department of undermining its relationship with Cabinet. Similarly, when MSUA argued for an integrated, rational land management policy, the Department of Agriculture and the Department of National Defence claimed that this initiative interfered with their traditional domains. Not surprisingly, MSUA had difficulty obtaining the support and the co-operation of departments faced with both real and perceived diminution of their power base:

> Indeed, as the Ministry succeeded in managing interdepartmental and interprovincial affairs, those who felt threatened began to mount a concerted offensive. The initial derailment due to the October Crisis was the beginning of the unravelling of the Cabinet's will to support interdepartmental co-ordination on behalf of urban affairs. MSUA was created as an indication of Ottawa's resolve to deal with urban issues nationally and to manage its own "urban" relations with the provinces while recognizing the essential constitutional dilemma. Only the strongest and most explicit political commitment by a unanimous Cabinet could have sustained such a mandate.[216]

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214. Gertler, p.111.

215. H.P. Oberlander, "MSUA: The Future of Its Past," in Ministry of State for Urban Affairs, p.131.

216. Ibid.

Robert Andras provided the stimulus and the conceptual base for the Ministry's creation. Ron Basford, a Vancouver M.P. who had previously been Minister for the Department of Consumer and Corporate Affairs, succeeded him. Basford regarded MSUA as an operational department within the federal structure and urged co-operation with far-flung provincial bureaucracies. Barney Danson, an enthusiastic and urban-oriented Minister from Toronto, followed Basford. Danson's successor, Andre Ouellet from Quebec, when confronted with the Ministry's constitutionally ambivalent response to the growing strength of the provinces, ultimately accepted and supervised its demise as a political entity in 1978:

> The net result was less (service) for less (money). Less for less is not a managerial triumph. Canada had saved some $20 million a year, and lost an institution dedicated to increasing our knowledge of urban life. The federal government is concerned about the lives of urban Canadians and has a desire to improve its own policies and programs as they affect those lives. It was necessary to terminate the ministry due to federal-provincial relations, but it cannot be looked upon as a fine example of restraint, or cost effectiveness or even as a sense of priority.[217]

MSUA's termination paralleled a declining commitment by Ottawa to increasing financial resources for addressing urban issues. Urban affairs lost its priority on the federal political agenda as major economic concerns began to take precedence. Many priority issues of the late 1970s and the early 1980s were the result of unprecedented economic changes originating beyond Canada's borders. The oil crisis of 1972 triggered the first of these cataclysmic changes. The consequent escalating energy costs produced an unprecedented effect throughout the economy and throughout the decade. Energy policies and new program initiatives began to dominate federal government initiatives and budgetary priorities. Urban issues generally lost their political appeal for governments and for their advisors. Having been alerted to the increasingly strong federal position in urban issues, the provinces perceived a federal/municipal alliance as a dire threat and demanded explicit, exclusive constitutional jurisdiction.

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[217] Ottawa Citizen, 2 October 1979.

C. The Federal/Provincial Task Force on the Supply and Price of Serviced Residential Land, 1978

In 1978, Ottawa and the provinces set up a Task Force on the Supply and Price of Serviced Residential Land specifically in response to the unsteady economic conditions of 1972-1975 in which land and housing prices skyrocketed in most Canadian cities. The Task Force Chairman, David Greenspan, examined the supply and price of serviced land across the country to replace the tangle of conflicting claims and polemics with factual information and analysis. Three basic objectives guided research design and analysis.

First, the findings should help explain recent price escalations and long-term price levels and encourage government policy makers at all levels to consider in advance the cost and consequences of their decisions on land and housing prices. Secondly, the Task Force would provide policy makers with tools for future research and create standard research methodologies for the profitability of individual subdivisions, citizen resistance to development, concentration of land ownership, infill reasoning and servicing standards and costs. Finally, it would explain its findings in terms the public could understand.

The scope of the Task Force report limited itself to an analysis of the economic causes of land price changes and largely ignored their social implications.[218] However, it addressed a wide range of economic topics including:

1. An analysis of the impact of government controls on the rate of urban development and on land and housing prices;

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[218] Down to Earth: The Report of the Federal/Provincial Task Force on the Supply and Price of Serviced Residential Land [chaired by David B. Greenspan], vol.1 ([Ottawa: The Task Force] 1978).

2. An analysis of the problems of municipal finance and their relation to the type and timing of land development;

3. An analysis, based on case studies of Toronto and Dartmouth, of the role played by organized ratepayer resistance to new development and redevelopment;

4. An analysis of government land banking and an evaluation of its past performance, based on case studies in Saskatchewan, Manitoba and Ontario;

5. A discussion of the determinants of urban land pricing;

6. Detailed data on land ownership n thirteen markets across Canada, and a discussion of the potential impact of concentrated ownership on prices;

7. Detailed data documenting the overall growth and profitability of the major public companies in the land development industry and the profitability of more than fifty individual subdivisions in Alberta, B.C. and Ontario;

8. A comparison of land servicing costs and their trends over time in twelve cities; and

9. Detailed data sets for twenty five cities by year and by city on lot costs, new house prices and resale prices.

The Task Force advanced a total of 30 findings and made recommendations to the appropriate levels of government. Many conclusions refuted what the report described as popular "conspiracy" theories about the causes of the dramatic land and house price increases. The first finding illustrated the general thrust of these conclusions:

> The land and house price explosions of the boom of 1972-1975 [were] not caused by:
>
> * provincial and municipal "red tape";

> - high municipal lot levies, "goldplated: municipal services or municipalities protecting their property tax base;
> - citizen resistance to new development; or
> - government taxation policies.
>
> But each of these factors has contributed and will contribute to high price levels.[219]

According to the Task Force, asset revaluation, not monopolistic developers and government red tape, was a primary reason for the boom. One proposed solution was a government attack on "municipal deficits, rather than municipal virtue."

13.2 Experiments with Short-Term Housing Policies and Programs

Between 1974 and 1978, macro-economic conditions encouraged the federal government to introduce new programs aimed at increasing the supply of affordable housing in the private rental and home ownership sectors. A high inflation rate, rising land and housing costs, and recession owing in part to the energy crisis imposed financial burdens on owners and tenants. Housing starts, particularly for apartments, fell dramatically in 1974-1975. Vacancy rates in most metropolitan areas dropped to the 1%-2% range. The government designed the new programs to be temporary. It discontinued almost all of them later in the 1970s or by the mid 1980s.

Housing policy in 1974-1978 consisted of two basic approaches. The first implemented programs included in the 1973 NHA amendments. It emphasized the inauguration of the new social housing programs, the initiation of the Residential Rehabilitation Assistance Program, and the provision of funding to municipalities for implementation of the Neighbourhood Improvement Programs. The public, private, and co-operative non-profit housing scheme replaced public housing. The new social housing sought to develop communities rather than projects for the poor through better design, smaller scale developments and social mix. In the same way, RRAP and NIP approached urban renewal more sensitively than did the Urban Renewal Program of the 1950s and 1960s. They assisted in neighbourhood preservation and historic conservation, and they permitted meaningful participation in the planning of the project. The new programs emerged from the policy planning process in which CMHC and MSUA engaged in the early 1970s. While no policy planning process can be fully rational and comprehensive, the implementation of the 1973 NHA programs at least issued from a co-ordinated response to a set of social housing and community development needs.

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[219] Ibid., p.79.

The second housing policy approach consisted of ad hoc reactions to immediate problems. It utilized two different methods: housing-related tax expenditures (indirect spending through the tax system); and short-term direct expenditures. These short-range program decisions failed to allow for longer term policy planning. Except for processing some of the paperwork, CMHC had nothing to do with the programs funded through the tax system. These tax incentive programs, like all tax matters, were the responsibility of the Department of Finance. CMHC did administer the direct spending programs, although it was not necessarily involved in planning them since the highest political level of the federal government rather quickly initiated most of them. During the mid-1970s the government implemented two major tax expenditure and two major direct expenditure programs. In each category it aimed one at the private rental sector and one at the home ownership sector.

In his May and November 1974 budgets, the federal Finance Minister, John Turner, responded to the sharp drop in housing starts with a policy instrument largely discontinued by the mid-1980s: housing-related tax expenditures. The application of tax expenditures is politically expedient because real costs are hidden and difficult to calculate. The cost depends upon the tax bracket of the investor or household taking advantage of them. Moreover, the government can announce new programs without immediately allocating funds. It conveniently responds to immediate political pressures but avoids long-term policy planning and careful assessment of short-and long-range impacts.

Housing-related tax expenditure programs became an accepted policy instrument in federal budgets starting with John Turner's tenure as Finance Minister. Their introduction contradicted the implementation in 1972 of a range of tax reform measures that sought to impart greater fairness to tax policy by eliminating tax provisions favouring one sector or industry. The full impact of tax expenditures on government and corporate finances and on housing were not understood until the 1980s. In studying the use of tax expenditures as opposed to direct subsidies, Woodside concluded that:

> This analysis has suggested that substantial differences exist between tax incentives and subsidies. On the one hand, tax expenditures are less visible and less subject to constraint, offer more freedom for a government to act decisively and inconspicuously, are a means of assistance for the well-to-do and for successful large corporations, appear to be without cost to the federal government, and are seen (by the corporate sector especially) not to involve intervention in the economy. On the other hand, subsidies are much more cost-efficient, can be subject to much closer controls on cost and conditions of use, go through a more broadly based and open process of policy formulation, and are commonly the means of redistributive social policies.[220]

In 1979, the federal government published its first accounting of tax expenditures to determine how much they reduced tax revenues. Tax expenditures totalled about $26 billion, about one half of the 1979-80 $53 billion federal budget.[221] Housing-related tax expenditures cost about $5 billion, three times greater than CMHC's direct subsidy programs.[222]

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[220] K. Woodside, "The Political Economy of Policy Instruments: Tax Expenditures and Subsidies in Canada," in The Politics of Canadian Public Policy, ed. M.M. Atkinson and M.A. Chandler (Toronto: University of Toronto Press, 1983), p.188.

[221] Ibid., pp.176-177.

The housing related tax expenditure programs announced by Finance Minister John Turner in the May and November 1974 budgets were the Multiple Unit Residential Building (MURB) incentives directed at encouraging wealthy individuals to invest in rental accommodation and the Registered Home Ownership Savings Plan (RHOSP) deduction designed for helping middle-income tenants to save enough for a downpayment on a house. The direct subsidy programs consisted of the Assisted Home Ownership Program (AHOP) and the Assisted Rental Program (ARP). Ottawa turned the MURB tax subsidy on and off in the years prior to its final cancellation in late 1981. It discontinued both the AHOP and the ARP in 1978 amid controversy about their short-term effectiveness.

The practice of using the federal budget to announce new housing programs became common in 1974. It continued until the change in government of 1984. Table 1 in the Appendix summarizes housing-related announcements contained in all 19 federal budgets between 1968 and 1984. Six federal budgets between 1968 and 1973 disclosed no new housing programs, although the 1971 budget revealed tax reform changes of which two had housing sector implications. At this time, the federal minister responsible for housing, often in conjunction with CMHC's representatives, divulged major national housing policy and program changes. Starting with the May 1974 budget, all but one of 13 federal budgets up to 1984 made public new housing programs or increased funding for existing programs. A tactic most frequently employed in the early 1980s when mortgage interest rates reached an historic peak, the use of the federal budget as a quick method of introducing housing programs and funding changes

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222. Canada, Department of Finance, Analysis of Federal Tax Expenditure for Individuals (Ottawa: Queen's Printer, 1981); R.C. Dowler, Housing Related Tax Expenditures: An Overview and Evaluation, Main Report, no.22 (Toronto: Centre for Urban and Community Studies, University of Toronto, 1983); and Arthur Anderson and Co., Federal and Provincial Government Expenditures to Assist and Promote Rental Housing in Canada, 1976-1982 (Toronto: n.p., 1984). The Arthur Anderson study provides cost estimates for the MURB program.

reflected the impacts on policy-making of the turbulence of contemporary economic conditions.

A. *Housing Related Tax Expenditure Programs: MURB and RHOSP*

RHOSP. The May 1974 budget speech introduced the RHOSP program to "ease the formidable difficulty facing young people" in accumulating a down payment. The RHOSP was designed to "encourage savings" and to "reduce current speculative pressures on housing prices." The Finance Minister noted that it is "difficult to measure the cost of this new measure."[223] He stated that this

> ...most important measure in this field [of housing affordability problems] will greatly ease the formidable difficulties facing our young people in accumulating the savings required for a down payment on a home and its initial furnishing...
>
> I am sure that the introduction of this innovative program will encourage savings, and make it easier for Canadians to acquire homes. Together with the steps to be taken in respect of down payments, this proposal should help to reduce current speculative pressures on housing prices. It is difficult to measure the cost of this new measure. But no doubt as it develops and Canadians become aware of its real value, the Registered Home Ownership Savings Plan will become a source of significant tax savings to many Canadians and particularly the young.[224]

The 1976, 1977 and 1983 budget speeches made minor changes in the RHOSP regulations. The federal government terminated the program after the 1984 federal election.

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[223] Hansard, 1974, vol.2, p.2084.

[224] Ibid., pp.2083-84.

MURB. The federal government revealed its plans for the MURB program in its November 1974 budget. The new scheme permitted rental investors other than real estate corporations to shelter income by deducting losses arising from capital cost allowance and front end ("soft") costs of rental housing investment against income from any source. Real estate corporations had had access to this tax measure for some time. The MURB program simply reintroduced the tax shelter for smaller firms and individual investors which the tax reform measures of 1972 had eliminated. It responded to the dramatic decline in rental housing production in the early 1970s and to the intense lobbying of the development industry. Developers claimed that the defunct tax shelter was the only acceptable financing vehicle for rental construction and that it was difficult even before the tax reform to attract investors to rental housing.[225]

In his budget speech, the Minister of Finance told the House of Commons that

> ...I am particularly anxious to provide a quick and strong incentive to the construction of new rental housing units. I therefore propose to relax for a period the rule whereby capital cost allowances on rental accommodation could not be charged against income from other sources.
>
> Specifically, in respect of new, multiple-unit residential buildings for rent, started between tonight and December 31, 1975, the capital cost allowance rule will not apply. This means that an owner of an eligible rental unit will be permitted to deduct capital cost allowance against any source of income at any time. I am confident that this measure will attract a significant amount of private equity capital into the construction of new rental housing.[226]

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[225] Financial Post, 20 March 1982.

[226] Hansard, 1974, vol.2, p.1426.

The Finance Minister stressed supply problems and their effect on the economy. He was concerned about "the decline in new housing starts -- especially in rental housing, where construction was curtailed by the increasing squeeze of costs against real income." Weakness in the construction industry threatened to reduce employment, to raise costs, to increase housing prices and rents, and to lead to a lower standard of accommodation.[227]

The objective of the MURB program was to stimulate new construction of rental units for moderate income households. It would be "a very effective use of government funds" because it would provide the incentive to attract capital from the private mortgage market.[228]

The program would be a temporary stimulus initially applying only to new multi-unit residential construction commenced between November 1974 and January 1976. Subsequently, the government extended it to the end of 1976 and then annually to the end of 1979. Following a continued slump in rental starts, Ottawa reinstated the MURB program in October 1980 and finally cancelled it in December 1981. Nevertheless, the MURB program did not expire then because tax benefits applied to all projects under construction. Many firms dug holes and placed concrete footings with MURB certification for the unfinished project. Thus, MURB units continued to be built two or three years after the program's official termination.

B. Short-Term Direct Expenditure Programs: AHOP and ARP

AHOP. Although the 1973 NHA amendments had earlier authorized the Assisted Home Ownership Program, the controversy over the cost of home ownership and the decline in new housing starts forced the government to make the plan a high profile activity and to use three budget speeches in 1974 and 1975 to announce increased spending levels and program changes.

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227. Ibid.

228. Ibid.

The federal government originally designed the AHOP as a means of supplying income-tested subsidies for low- and moderate-income households. In October 1974, the need to compensate for a decline in new housing starts led to a reorientation of the AHOP towards production goals. Ottawa viewed the subsidy, while still income-tested, as a market stimulus to demand for new housing units. All lending by CMHC on existing housing units ceased.

Until 1970, the federal and provincial governments limited home ownership assistance to the supply of mortgage funds. In that year, CMHC introduced a home ownership subsidy as part of its $200 million innovative program. The 1973 NHA amendment contained provisions for a subsidy program owing to the need for Parliamentary authority and funds for providing assistance beyond CMHC's own past funding. The amendment permitted CMHC to make available 95% first mortgage loans for 35 year terms at interest rates as low as 8%, depending on the borrower's income. In addition, authorized grants would reduce the monthly payments for principal, interest, and taxes to 24% of adjusted family income. The maximum amount of these grants climbed from an initial annual sum of $600 to $1,200. Only first-time buyers with children could participate in the AHOP.

The program enabled low- and moderate-income families to own a home without spending more than 25% of their income. In 1973, it served households with incomes in the $6,000 to $11,000 range. During the first full year of the program's operation, CMHC approved $435 million for 18,300 units.[229]

In 1974-1975, the program underwent substantial modification due to amendments in the National Housing Act. The amendments encouraged the mortgage lending institutions and the house-building industry to finance and produce moderately priced housing. In effect, two different programs emerged: a "Public AHOP" directed to lower income families; and a "Private AHOP" designed for the private house-building sector and moderate-income families. The "Private AHOP" met the needs of families with incomes too low to qualify for full commercial loans but not low enough to require interest rate assistance as well as a grant. Although the amendments were introduced in December 1974 and approved in March 1975, CMHC did not implement them until late in 1975. Between 1973 and 1978, the AHOP assisted about 94,000 households by subsidizing their mortgages at a cost of about $125 million.

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[229] CMHC, Annual Report, 1974, p. 12.

Finance Minister John Turner announced all the important changes in the AHOP in his budget speeches. In his November 1974 speech, he extended the life of the program and made possible a new one-year additional grant of $500.[230] In his June 1975 budget, he made a further increase in the AHOP funding (and on the Assisted Rental Program) in order to

> stimulate demand and help make adequate housing more accessible to Canadians of moderate means. They will also give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians.[231]

The June 1975 budget also included funds for special grants to the private sector in order to generate owner-occupied and rental housing construction:

> I wish to announce a temporary increase in the grants available for housing financed by the private sector. Honourable Members will recall that legislation was passed recently authorizing direct payments by CMHC in order to bring the cost of new privately financed housing, both rental and owner-occupied, down to a reasonable proportion of the budget of moderate-income families. This important innovation extended to housing financed in the commercial mortgage market certain benefits previously available only on housing financed by the government. We are now introducing a temporary increase in these grants

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230. Hansard, 1974, vol. 2, p. 1426.

231. Hansard, 1975, vol. 7, p. 7029.

> from an annual maximum of $600 to $1200 for owner-occupied housing and from a maximum of $600 to $900 for rental accommodation.[232]

These measures would "stimulate demand and help made adequate housing more accessible to Canadians of moderate means." They would "also give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians."[233] He estimated the cost to be $125 million.

The AHOP experienced substantial transformation in a short period of time. Unsteady economic and political conditions triggered equal instability in the AHOP's design and administration. In its 1977 evaluation of the program, the Canadian Council on Social Development commented on the broader question of whether government should be subsidizing private home ownership:

> The extension of home ownership subsidies is still a recent innovation in Canadian housing policy. It did not begin until 1970. It did not become a full-scale housing program until 1973. It is still contentious among many people. Some feel government should not invest its scarce capital resource in housing that will not be a permanent part of the stock available to those of low-income. Others feel that government has a duty to assure a minimum standard of living for everyone, but that it should not assist them in acquiring capital assets. Others welcome assistance of any kind for low income families, but feel that the imposition of production over subsidy objectives under AHOP does not result in assistance for low-income families. Still others are concerned that the program promote the continuation of a wasteful mode of life by that continuing

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[232] Ibid.

[233] Ibid.

> dependence on the automobile through the forms of private development undertaken under AHOP.[234]

The CCSD study concluded that

> This brief analysis supports the basic contention that there is not much difference between houses purchased by NHA and AHOP borrowers in similar income ranges. Furthermore, there are almost as many low and moderate income borrowers buying houses without subsidies as there are ones using AHOP assistance.
>
> AHOP does not seem to be extending home ownership down the income scale. Nor does AHOP work to reduce shelter-to-income burdens in the high cost areas.... As a program enabling low income households to purchase housing, AHOP has not been impressive.[235]

When provinces added their own subsidies to the federal AHOP, a lower income household could take advantage of the program and become a home owner. Unfortunately, for some families, the five year period of mortgage assistance ended in the early 1980s when interest rates climbed to their highest levels. A high rate of mortgage defaults occurred under the AHOP at that time. Many families, particularly in southern Ontario and British Columbia, lost their homes, and the Mortgage Insurance Fund acquired and tried to sell the units.[236]

ARP. The federal government initiated the Assisted Rental Program in 1975, modified it in 1976 and 1977, and phased it out in 1978. ARP was the second major program in the post-war period to subsidize the

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234. Canadian Council on Social Development, A Review of Canadian Social Housing Policy (Ottawa: The Council, 1977), pp. 94-95.

235. Ibid., pp. 102, 106.

236. CMHC, Market Forecasts and Analysis Division, An Analysis of the Market Factors Behind the High AHOP Default Experience (Ottawa: CMHC, 1980).

private rental supply sector. It replaced the Limited Dividend or "Entrepreneurial Low-Rental Housing Program" that subsidized some 100,000 rental units between 1946 and 1975. The Canada Rental Supply Program implemented between 1981 and 1984 was the third post-war program devised to stimulate the construction of private sector rental units. Impetus for the ARP's establishment came early in 1974 from the dramatic 17% decline in housing starts. Rising interest rates and increased construction costs and land prices, coupled with reductions in the availability of private mortgage funds, led to curtailed production in the private rental sector.

Although the ARP would undergo modification during its four-year history, its basic goal of stimulating the production of privately initiated rental housing for low- and moderate-income households remained unchanged. The ARP offered two types of subsides: direct subsidies provided by the program itself; and indirect tax expenditure subsidies. With a switch from direct grants to loans in 1976, eligible investors could take advantage of tax incentives since the loans did not reduce the taxable operating losses for an ARP project. This deliberate policy decision made tax incentives an integral part of the ARP's total subsidy package. CMHC's promotional brochure for the 1976 version of the ARP referred explicitly to the MURB and capital cost allowance tax benefits for participants in the program.[237] The change boosted private sector participation in the program. The ARP program, combined with the MURB tax benefits, provided substantial subsidies to investors. The Canadian Institute of Public Real Estate Companies estimated that these benefits equalled an interest-free loan worth 25 to 30% of a project's total cost.[238]

In its 1975 Annual Report, CMHC described the ARP in the following terms:

> The building of rental accommodation has declined over the past few years, costs have risen in many urban areas at

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237. CMHC, Lending Division, Investing in New Rental Housing (Ottawa: CMHC, 1976).

238. Canadian Institute of Public Real Estate Companies, Shortage of Rental Housing [A Brief Submitted to the Federal Government, 28 April 1982] (n.p.: The Institute, 1982), p. 3.

a faster rate than new rentals could support. This has resulted in low vacancy rates, increasing demand and consequential rent increases.

> The Assisted Rental Program plan was enacted in April to encourage the development of modest rental housing by providing annual subsidies of up to $600 per housing unit. The subsidy was later increased to $900.
>
> The subsidy, which may be negotiated for periods of five to fifteen years is designed to reduce operating costs so that rents at market levels will yield a return to the investor.
>
> Developers have responded positively, since the program, combined with extension of capital cost allowances, makes apartment construction economically more attractive. Activity by approved lenders under this program totalled $444 million during 1975, representing 21,092 units.[239]

In December 1975, the NHA amendments removed the ARP subsidy and supplanted it with a system of annual interest-free loans for up to 10 years secured by second mortgages. The maximum loan in the first year was $1,200 per dwelling unit; the loan in subsequent years diminished by one-tenth each year. This loan supplemented rental income where a gap existed between the rents and the cost of building and operating the project. Approval of the second mortgage loan depended upon an operating agreement with predetermined rental levels established between the builder and CMHC.[240]

In 1976, ARP assistance went to rental projects containing 23,102 units with commitments for second mortgage loans amounting to $137.5 million. NHA-secured loans from private lenders totalling $136.7 million

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239. CMHC, Annual Report, 1975, p. 21.

240. CMHC, Annual Report, 1976, p. 25.

financed 22,863 of these dwelling units.[241] In July 1977, ARP assisted 60,125 units.[242] During the mid-1970s, either the MURB program or the ARP subsidized most private rental starts. The continual enrichment of the ARP made it more appealing to investors in order to maintain high rates of new construction. In its 1977 Annual Report, CMHC summarized the extensive ARP and MURB activity.

> The original allocation for this program in CMHC's 1977 capital budget made provision for ARP assistance on 30,000 dwelling units. In view of the many applications for this assistance prompted in part by the then expected cessation of the capital cost allowance tax provisions at the end of 1977 (subsequently extended for one year) and because of the need for new rental housing construction, an additional budgetary allocation of $140 million was made available to this program in August 1977.[243]

When the ARP ended in 1978, the federal government had subsidized about 122,000 private rental units. The MURB program aided an estimated additional 200,000 rental units.[244] How many of these units would have been built in any case is difficult to determine. Using two different methods to estimate the net increase in rental stock, Lithwick concluded in his study for CMHC that about 40% of ARP units would have been built without the program. In addition, the ARP's net impact

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241. Ibid.

242. CMHC, Annual Report, 1977, p. 32.

243. Ibid.

244. See, Federal and Provincial Government Expenditures to Assist and Promote Rental Housing; I. Lithwick, An Evaluation of the Federal Assisted Rental Program, 1976-1977 (Ottawa: Program Evaluation Unit, CMHC, 1978); G.W. Gan and A.P. Wicks, Impact of the ARP and MURB Programs on the Vancouver Housing Market, Research in Urban Land Economics, Paper no. 14 (Vancouver: Faculty of Commerce, University of British Columbia, 1982); and J.D Hulchanski, The Assisted Rental Program (ARP), 1975-1978: An Evaluation, Research Bulletin, no. 3 (Ottawa: Co-operative Housing Foundation, 1982).

decreased in the larger, fully developed cities when construction resulted in the demolition of existing affordable units.[245]

C. Other Programs: RNH, RRAP, NIP, MIG, CSCP, CHIP

Implementation of several successful specialized programs followed amendments to the 1973 NHA. The Rural and Native Housing Program established in 1974 gave new housing and renovation assistance to low-income native and non-native families living in rural areas and towns with populations of 2,500 or less. The program originated in a September 1973 brief to the Minister responsible for housing by the Native Council of Canada that asked for unilateral federal financing of the construction or acquisition of 30,000 or 40,000 new housing units over a five year period. When the Minister announced the Rural and Native Housing Program in March 1974, he added non-native rural housing assistance to avoid establishing a purely ethnic program.

In 1975, CMHC introduced a rent supplement program for non-profit and co-op housing groups under Section 44(1)(b) of the NHA. It provided a subsidy equal to the difference between rent and 25% of income for low-income tenants as a federal-provincial shared-cost program. A related rent supplement program established in 1969 under Section 44(1)(a) furnished rent supplements to tenants living in units owned and operated by private landlords. It was an alternative to a public housing program in municipalities where the development of such housing encountered resistance.

The Residential Rehabilitation Assistance Program under the 1973 NHA operated in designated urban environments and made loans to home owners, landlords, and non-profit groups to maintain the housing stock in good condition. In 1974, the federal government extended the RRAP to the rural and native housing program.

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[245] Evaluation of the Federal Assisted Rental Program, p. 25.

In 1973, CMHC became responsible for the Neighbourhood Improvement Program and the Municipal Incentives Grant Program. The NIP helped to improve public infrastructure in low-income residential areas, and the MIG encouraged municipalities to allow land development for modest size and moderately priced housing built at medium densities. In 1979, the Community Services Contribution Program offered $400 million in federal assistance for a wide range of municipal capital projects in accordance with federal/provincial agreements tailored for local needs. In 1976-1977, two new programs under the Canadian Home Insulation Program fostered thermal upgrading of existing houses throughout Canada.

D. The 1978 Housing Policy and Program Changes

In 1978 and 1979, the federal government pursued its goal of "disentangling" programs to promote greater provincial participation and to reduce administrative overlaps. It urged the provinces to commit themselves to global funding agreements. These agreements eliminated some weaknesses in the earlier master agreements for cost-sharing and for federal/provincial housing because they clearly defined federal and provincial roles and because they allowed the provinces greater autonomy in program planning and administration. However, global funding agreements meant that the federal government had a more difficult time in setting and meeting social housing targets.

In the spring of 1977, the Prime Minister requested a review of the federal social policy on shelter. The resulting analysis produced an argument in favour of shelter allowances and a reduced federal role in direct subsidy programs. As a result, a reorganization of CMHC's social housing programs occurred in 1978. CMHC adopted the production or acquisition of 30,000 low-income units as an annual target, increased the use of the rent supplement program, and modified the low-income housing programs. A host of reasons prevented the targets from being reached. CMHC terminated the NHA Section 43 public housing program except in the Northwest Territories and restricted the Section 40 public housing scheme to the provinces (Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, and Saskatchewan) preferring it to the previous program. The non-profit and co-operative housing programs under Section 56.1 announced in May 1978 replaced funding under Sections 15.1 and 34.18. The new programs took the form of a unilateral federal differential interest subsidy which would reduce economic rents to the level of the lower end of market rents for a range of income groups and which would allow a proportion of the tenants to pay rents geared to their income. All borrowers had to obtain capital funds from approved lenders, although CMHC would continue to be a lender of last resort.

In addition to these changes in inter-governmental relations and in the social housing programs, CMHC discontinued the private sector subsidy programs (ARP, AHOP, and MURB) as the economy and the housing sector appeared to be recovering. As well, it cancelled programs assisting municipalities in land acquisition, municipal infrastructure, and neighbourhood improvement. CMHC's 1979 Annual Report explained the termination of the land assembly program in the following way:

> During the year [1978], the Federal/Provincial Task Force enquiring into the supply and price of serviced residential land, published its report. One of its findings was that the effectiveness of land banking by governments in stabilizing and reducing serviced land prices had not been demonstrated. Subsequently, in view of the large inventory which had been built up, the government decided to stop funding new land assembly projects and to limit future funding to the continued development of the lands already held in partnership with the provinces.
>
> Up to the end of 1978, the government had provided a total of $525.3 million to provinces and municipalities for the acquisition, planning and development of land for residential purposes.[246]

The Municipal Infrastructure Program ceased at the end of 1978, and the Community Services Contribution Program replaced it. CMHC had administered the Municipal Infrastructure Program for 18 years during which time it had supplied over $2 billion to assist some 6,000 projects in the abatement of pollution and the promotion of residential development.[247]

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[246] CMHC, Annual Report, 1978, p. 22.

The Neighbourhood Improvement Program finished in March 1978. From 1973 to 1978, NIP made available $202 million in federal contributions and $64 million in federal loan commitments for 319 municipal projects. The program helped to fund social and recreational amenities such as community centres, sports facilities, day-care centres, parks, and playgrounds. In addition, it improved and replaced deficient public services such as sewers, sidewalks, roadways, and street lighting.[248]

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[247] Ibid., p. 24.

[248] Ibid., p. 26.

14. Responding to Turbulent Times, 1979 to 1984

14.1 Housing Research and Conferences in the Late 1970s and Early 1980s

Detailed analyses of Canada's housing problems continued through the late 1970s into the early 1980s. The federal Task Force on CMHC prepared a report in 1979, and, in 1981, the Canadian Real Estate Association organized an All Sector National Housing Conference. The major concerns addressed by the report and the conference reflected the fact that housing affordability problems permeated residential real estate markets in every region of the country. Clearly, the "housing problem" was a multi-faceted problem involving the inter-dependence of widely fluctuating interest rates, poverty, unemployment, inadequate accommodation and perennial tensions between housing supply and demand. Considerable debate occurred over the need to establish national housing goals which would provide equal access to decent, affordable housing. Proponents of these objectives argued for proper mechanisms to address the spiralling cost of housing and for a more balanced, systematic approach to ensuring the best possible housing conditions for Canadians based on the will and the commitment of all governments to work in co-operation with the "housing industry."

A. The Task Force on Canada Mortgage and Housing Corporation, 1979

Under the chairmanship of Donald J. Mathews, the Task Force reported on the position of the Corporation in 1979, the projected housing needs of Canadians in the 1980s, and the organization best suited to dealing with contemporary and anticipated circumstances. A number of concerns expressed by the Conservative government prompted the Task Force's reassessment of CMHC's activities:

> first, an examination of duplication of federal and provincial government services is expected to result in

> clarification of federal and provincial jurisdictional responsibilities;
>
> second, the federal government has announced measures for a mortgage interest and property tax credit and is considering capital cost allowance provisions for rental units which will have an important effect on housing markets;
>
> third, the federal policy of expenditure restraint makes this an opportune time to emphasize those activities of CMHC which could be operated without hidden or open subsidies;
>
> fourth, and most important, the federal government has announced its intention to withdraw from activities more appropriately carried out by the private sector. This study is the direct result of that concern.[249]

Cabinet had directed the Task Force to study the potential for privatizing at least some of the Corporation's activities and to indicate ways of encouraging the private sector to take a larger role in some areas. The report focused on four major issues: the policy implications of privatization; the legal and financial implications of privatization; the alternative modes of privatization in each of the three cases outlined by Cabinet; and a proposed strategy and timetable for privatization.[250]

B. The All Sector National Housing Conference, 1982

In 1982, the Canadian Real Estate Association convened a housing conference during which representative of governments, industry and consumers discussed and analyzed many of the fundamental housing problems evident in the early 1980s. The conference chairman noted in the forward to the report that

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[249] Canada, Task Force on Canada Mortgage and Housing Corporation, Report on Canada Mortgage and Housing Corporation (Ottawa: Queen's Printer, 1979), p.

[250] Ibid., p. 2.

> The 1980's began with housing in this country in a state approaching crisis. Despite the establishment during the previous decade of 11 housing ministries, housing production had dropped into confusion, recession and inequality across the country. I could only quote, sorrowfully, from the Economic Council of Canada, saying that these difficulties arose because of "archaic attitudes, institutions, restrictions and other problems including a multiplicity of obstructive building and zoning codes, small-scale and relatively inefficient production, a failure to make adequate advances in the development and use of new production techniques, restrictive labour practices, impediments to better management and a totally inadequate amount of research into the housing industry's problems."
>
> That was the Economic Council in 1969. By March, 1981, nothing had improved, nothing had changed. We had in 1981, as now, high inflation, high interest rates, uneven economic growth, rising energy costs, a housing industry deeply in trouble, many consumers priced out of buying or renting homes.[251]

The three-day conference produced a wide range of divergent opinions about the causes of and solutions to Canada's housing problems. Indeed, some delegates rejected the suggestion that there were any problems at all. Claude Renaud, Director of Business Development for the Mortgage Insurance Company of Canada, argued that

> We live in a country that is 75% or so covered with forests and very rich in minerals and stones. It would have taken sheer genius to have had a housing crisis in this country.

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251. Canadian Real Estate Association, Housing in Canada: A Continuing Challenge - All Sector National Housing Conference Report (Don Mills: The Association, 1982), p.

> Obviously we do not have one. We do not have in Canada at this time a major housing crisis of any type or description for any major group. Even more, I think it is clear that housing is not a big issue of the category of energy or the constitution. Housing becomes an issue, it seems, if it relates to some other major issue. The most we can hope for is to get housing related to the overall economy and we should proceed from that basis.[252]

Not all the delegates supported these remarks. In the report's conclusion, a number of prominent actors in the housing industry provided an overview of the conference. Their comments illustrated the diversity of viewpoints expressed during the three days.[253] According to Tex Enemark, Western Manager of MacLean-Hunter Ltd.,

> We are well housed in general but there are several regional problems and they are going to demand real regional responses by the federal government. The federal government tends to look at what it perceives as national problems and it tries to come out with national responses. It is time for a new approach. I think the federal government is going to have to become more selective regionally in spending the amounts of money that it has.
>
> I want to point out the Catch-22 of public policy in housing in the 1980's. There is no political push to reduce housing costs or housing price, and that is a real conundrum. Some governments are even developing policies assuming that increased prices are desirable and inevitable.

Janice Kerr, President of the Consumers Association of Canada, asserted that on "a cold blustery winter night in this country of ours, most of us would agree that housing is not so much a social problem, not so much an economic problem -- it is shelter for sheer survival: and if survival is a right, then so is adequate housing." Ives Lord, President of the Co-operative Housing Foundation of Canada, declared that

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[252] Ibid., p. 223.

[253] For the following viewpoints, see, ibid., p. 220.

> Housing is a right and not a privilege. Some said that it should not be a commodity and I think that was taken quite wildly by some people who fear that some of us want to see housing belong to the state. Heaven forbid! We have enough problems trying to do it on our own. I think people here are saying that we need a segment of the housing stock that is non-marketable, anti-inflationary, in self-help projects under self-help control, and the reason for this is a long term solution, 15 and 20 years, not two and three.

Eric Chairman, President of the Canadian Real Estate Association, warned that

> In fairness to everybody else in Canada, I think you are overrating the fact that a problem which exists in Vancouver is not the nation's problem. I am going to predict, from the research of our Association, that Vancouver's problem will become a national problem. It appears to us that wherever there is economic activity and expansion in this country, there is definitely increasing concern about housing problems for the citizens. It is merely coincidence, at the timing of this conference, that Vancouver is the area where population has been expanding and where there are definite housing problems.

Some of the ideas presented at the conference and in the Task Force report became significant elements in the federal housing policy response to unstable economic, social, and political events in the late 1970s and the early 1980s.

14.2 Housing Policy and Program Response to Unstable Interest Rates

Inflation and spiralling interest rates in the late 1970s and the early 1980s preempted federal government concerns for social policy initiatives, including housing. The devastating consequences of rising interest rates forced the government to review its fiscal and monetary policies on housing. Figure 2 in the Appendix, which graphs mortgage interest rates from 1951 to 1986, tells the entire housing program story of the early 1980s. When interest rates jumped from 11% to more than 18% over the course of several months and then remained at historic highs until 1985, the federal government was forced to respond to political pressure. The pressure came from all segments of the housing sector: from home owners facing mortgage renewals; from tenants facing near zero vacancy rates; from low- and moderate-income households who could not find adequate housing at an affordable cost; and from the residential construction industry facing high project financing costs and a fall in demand for new homes.

The high interest rates only compounded the problem of the affordability of home ownership in Canada. The problem had been evolving during the difficult economic times of the 1970s. A CMHC study of housing market indicators and affordability for the 1971 and 1981 period produced the following findings:

1) During the ten-year period 1971 to 1981, home owner's operating costs rose by 168.4 percent, while house prices rose even more quickly by 191.3 percent. Both the price and operating cost increases out paced that of the Consumer Price Index of 136.9 percent during the same period.

2) Family incomes rose by 188.6 percent rom 1971 to 1981 which represents an annual compound rate of increase of 11.18 percent. Homeowner's operating costs rose less quickly, namely by 168.4 percent during the entire period, which translates into an annual compound rate of increase of 10.4 percent.

3) The purchase price of an existing home sold in 1981 was 191.3 percent higher than in 1971, corresponding to an annual compound

rate of increase of 11.3 percent. Advances in interest rates and house prices together were responsible for the rise of 417.8 percent in the capital costs during the ten-year period, equivalent to an annual compound rate of increase of 17.9 percent. This is almost twice the annual compound rate of increase in the overall Consumer Price Index of 9.0 percent.

4) The effect of interest rates on the ability of households to purchase is reflected in the ratio of capital costs to income. This ratio (principal and interest payments on the purchase of an average-priced house, to family income) rose from a low of 21 percent in 1971 and 1972 to a high of 38.2 percent in 1981.

5) Access to home ownership as measured by the ability of renters to afford an average priced house, has declined from 1971 to 1981. In 1971, the average family income of renters was sufficient to pay for the monthly capital costs and property taxes, using the 'expenses as 30 percent of income' standard. By contrast, in 1981 the average family income of renters was only 53 percent of the minimum income necessary to afford an average priced house.[254]

The high cost of achieving and maintaining ownership of a family home became such a major issue that in the May 1979 federal election the Progressive Conservative Party under the leadership of Joe Clark promised to make mortgage interest and property tax payments tax deductible, as they are in the United States. Although the Clark government was not in office long enough to implement this election promise, it did announce its intention to phase this tax benefit in over several years. In September 1979, the government announced that a home owner would be entitled to a tax credit equal to 25% of the first $5,000 of mortgage interest paid to a maximum of $1,250 in 1982. The government also announced that a property tax credit of $250 per home owner would be introduced. These changes were to be

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254. CMHC, Market Forecasts and Analysis Division, Housing Market Indicators: Costs, Prices, and Affordability, 1971-1981, by K. Barlow (Ottawa: CMHC, 1982), p. 1.

phased in over a four year period and would cost an estimated $575 million. However, the Clark government lost the February 1980 federal election, and the proposal was never again given serious consideration.

During the early 1980s, the government once again employed the same two types of policy instruments used in the 1970s: tax expenditures; and direct subsidies. The federal budget again announced a variety of new housing programs and of revisions of existing programs. As well, the government implemented modified social housing programs created during the program changes in 1978. The interest rate crisis affected the subsidy cost of projects built in the early 1980s in a dramatic way. However, all the new program activity occurred in the private sector subsidy plans. The government established four new home ownership programs and one new rental supply program. In addition, it extended the MURB program and added a special incentive to the RHOSP.

A host of new, mostly short-term programs, clustered in two periods: the first between 1973 and 1975; and the second between 1981 and 1982.

A. The Housing Related Tax Expenditure Program Changes: MURB and RHOSP

MURB Reintroduced. Although Finance Minister Allan MacEachen's October 1980 budget mentioned the need for reforming the use of tax expenditures subsidy programs, it reintroduced the expired MURB program. On the general topic of tax expenditures, the Finance Minister stated that their use as a policy instrument is

> expensive and it is incumbent on government to ensure that the incentives are effective and that their cost is justified.
>
> Tax incentives tend to pyramid with the result that a number of profitable corporations or wealthy individuals pay little or no tax.... We now have a tax system characterized by higher tax rates relieved by a complex network of incentives and tax preferences. One questions whether the economy might not be better served by a tax

> system with lower rates but with fewer and more selective incentives.[255]

Ironically, the only housing supply program announcement made by Mr. MacEachen in that budget was the extension of the MURB tax expenditure. The budget papers noted that the estimated cost of the extension would be about $15 million. However, the government argued that the MURB extension would "reduce shortages of rental accommodation and provide a needed stimulus for the construction industry."[256] These estimations of the relatively modest cost and of the impact in terms of reducing rental shortages both proved to be wrong.

The estimated cost of the MURB program was incorrect. The program became a popular tax shelter vehicle because it permitted wealthy individuals to shelter income from other sources. As a result, the annual cost of the MURB program to the federal and provincial governments escalated from an estimated $99 million in 1976 to $273 million in 1982. Between 1976 and 1982, the $1.32 billion estimated cost of the program was almost three times greater than the total $449 million spent by the federal and provincial governments on non-profit and co-operative housing programs.[257] Moreover, although a federal government program, part of the cost was borne by provincial treasuries. Between 1976 and 1982, the provincial governments paid about one-third ($436 million) of the MURB program's cost through foregone provincial tax revenues.[258]

The reintroduction of the MURB program in October 1980 surprised many people. Finance Minister MacEachen had declared his interest in tax reform. As well, eleven months earlier, another Finance Minister, John Crosbie, had stated in his budget that the MURB subsidy was no longer necessary. Finance Minister Crosbie had told the House of Commons that

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[255] Hansard, 1980, vol. 4, p. 4191.

[256] Canada, Department of Finance, Budget Papers, 28 October 1980, p. 104.

[257] Federal and Provincial Government Expenditures to Assist and Promote Rental Housing, p. 4.

[258] Ibid.

> Finally, I have reviewed the special capital cost allowance provisions for multiple-unit residential buildings. This tax shelter was introduced in 1974 and has been extended many times since. The pressure on vacancy rates is not now as serious as previously. Thus, I am letting this provision expire, as currently provided, on December 31 of this year [1979].[259]

RHHOSP "Top-up Provision". While the reintroduction of MURBs represented a reaction to problems in the rental sector, yet another response made possible a special "top-up provision" for owners in the Registered Home Ownership Savings Plan: it assisted "eligible home buyers to acquire newly constructed homes and to accelerate the use of accumulated RHOSP savings."

> Currently, tax deductible contributions up to a total of $10,000 can be made to a RHOSP at the rate of up to $1,000 per year. Individuals eligible to contribute to a RHOSP who buy newly constructed homes and associated furnishings before the end of 1984 will be able to deduct from taxable income in one lump sum the amount needed to bring their total deductions up to the $10,000 limit.[260]

The Minister estimated that these changes to RHOSP "will provide about $125 million to new homeowners."[261]

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[259] Hansard, 1979, vol. 2, p. 2265.

[260] Hansard, 1983, vol. 21, p. 24664.

[261] Ibid.

B. The New Housing Supply Programs: CRSP and CHOSP

CRSP. The federal government introduce the Canada Rental Supply Plan in 1981 and terminated it owing to funding commitments in 1985. Expenses under the program will continue for about 15 years. The program furnished second mortgage loans, which were interest and payment free for 15 years, to entrepreneurs constructing rental housing units in tight market areas using privately-financed insured mortgages. The loan repayments are amortized over the sixteenth to twenty-fifth years.

In announcing the CRSP in the November 1981 budget, the Finance Minister stated that the program's aim was to encourage the construction of rental housing by providing interest-free loans of up to $7,500 per unit for 15,000 units allocated to tight markets across Canada. Pressure from the residential development sector increased both the subsidy level and the number of allowable units. The June 1982 budget doubled the unit allocation to 33,000 and eliminated the $7,500 limit for interest-free loans. Job creation was an objective of the program: the extension in CRSP unit allocations would create 54,000 new jobs.[262]

CHOSP. The Canada Home Ownership Stimulation Plan commenced in June 1982 and ended in December 1983. Despite variations in the criteria, the basic plan provided contributions of $3,000 to purchasers of homes used as principle residences. The plan had no income limits, but it imposed price limits of $150,000 in higher-priced markets and $100,000 elsewhere.

The Minister of Finance regarded the CHOSP as a response to a significant slowdown in housing starts, high interest rates, and severe unemployment in the construction industry:

> One of the areas of the economy selected for immediate assistance and stimulus is the housing sector -- a sector which is severely affected by high interest rates. The

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[262] Hansard, 1982, vol. 16, p. 18881.

> government is concerned with the difficulties faced by many Canadians wishing to purchase a house, with the hardship experienced by many homeowners having to renew mortgages, with the availability of rental accommodation and the number of residential housing starts, and with the high unemployment rate in the construction industry.[263]

The Minister expected that the measure would create 50,000 new construction jobs.[264]

C. Mortgage Assistance Programs: CMRP and MRPP

CMRP. The Canada Mortgage Renewal Plan made public in the November 1981 budget responded to the high interest rates and the threat of foreclosure at mortgage renewal time:

> I am also greatly concerned over the distress of home-owners having to renew their mortgages at higher interest rates, and over the shortage of rental accommodation. I have sought ways of honouring the government's commitment to protect those most in need.[265]

The plan allowed home owners to defer part of the higher interest rates when mortgage payments exceeded 30% of gross income:

> Those homeowners who have a reasonable amount of equity in their home can obtain relief by deferring part of the higher interest. The government is prepared to guarantee the interest deferred, within limits, when

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263. Canada, Department of Finance, Budget Papers, 28 June 1982, p. 19.

264. Ibid., p. 20.

265. Hansard, 1981, vol. 11, p. 12723.

mortgage payments exceed 30 per cent of gross income.[266]

MRPP. The government terminated the CMRP in 1983 and replaced it in 1984 with the Mortgage Rate Protection Program. The stated objective of the MRPP was to give Canadians the opportunity to purchase protection against substantial increases in mortgage payments when they renewed their mortgages. An implicit objective was to restore confidence and stability in the mortgage market.

In summary, in spite of difficult economic times, the residential construction industry continued to play a major role in Canada's economy. Federal housing policy and CMHC program design and administration contributed substantially to this success. In 1984, residential construction accounted for 3.9% of Canada's Gross National Product and nearly 30% of total construction expenditures. By comparison, American residential construction accounted for 3.4% of the GNP in that year. The small builder still dominated the residential construction industry. For example, in Canada's metropolitan areas in 1984, 80% of builders averaging 2.5 units each produced 80% of all single detached homes. Only 1% of the builders in that category erected more than 100 units during 1984. The house-building industry continued to be characterised by a great variety of small contractors who could enter and leave the residential construction field with ease as market conditions dictated.[267]

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266. Ibid.

267. CMHC, Housing Issues in the 1980s and 1990s: Factors Which Will Affect Structural Adjustments in the Residential Construction Industry; A CMHC Background Paper (Ottawa: CMHC, 1986).

15. Setting the Stage for the Late 1980s

With the September 1984 change in government and with the return of fairly stable macro-economic conditions, a fundamental examination of the federal role in housing took place. After an extensive consultation process, Ottawa announced a new direction for federal housing policy in December 1985 and implemented it during 1986. The role and the financial commitment of the provinces and territories expanded following the signing in 1986 of revised federal-provincial global funding agreements. With a different government in place, with another minister assigned to the housing portfolio, and with a new president appointed for CMHC, a fundamentally fresh approach to federal housing policy emerged in the mid-1980s.